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NEW BREAKING



THE NEXT GENERATION

NEW BREAKING

*AN OUTLINE OF CO-OPERATION
AMONG THE WESTERN FARMERS OF CANADA*

by

HUGH BOYD



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FOREWORD

WITHIN the covers of this book will be found the most up-to-date record of a long and well sustained farmer struggle for the most satisfactory co-operative method of marketing our wheat and other farm produce. This is coupled with the story of securing appropriate legislation and amendments thereto from time to time designed to protect the producer from the abuses and practices more or less inherent in the warehousing, transporting and handling of grain.

These vigorous large-scale rural activities dating back to small beginnings at the turn of the century, are here set forth in consecutive order, accurate detail and in a manner designed to be fair and just to all parties concerned. So fair indeed has Mr. Boyd been in his interesting, informative and readable book, that while his friendliness toward the producers' marketing activities is quite obvious he also in a diplomatic manner draws attention to certain natural tendencies that it might be well to avoid from the outset, rather than rely upon the art of explaining them away at a later date, after possibly assuming formidable proportions.

Taken altogether this book will make a valuable addition to every interested farmer's library, be it large or small, so that when the remaining prairie pioneers pass on, their progeny may be encouraged upon reading it to carry on the crusade for better days and better ways.

W. R. MOTHERWELL

Abernethy, Saskatchewan
January, 1938.

AUTHOR'S ACKNOWLEDGMENTS

AMONG the several works of reference consulted, H. S. Patton's study, "Grain Growers' Co-operation in Western Canada" (Harvard University Press, 1928), was found particularly valuable. Dr. Patton was one of those who took considerable pains to read and offer criticisms of the present volume in manuscript. "Deep Furrows," by Hopkins Moorhouse, a vigorous and dramatic story of the pioneer stages of agricultural co-operation in the West, must also be mentioned.

This book was written by one associated with the Wheat Pool organizations, and the manuscript was read by several people having a connection of this kind. Many helpful suggestions as to fact were received as a result. Any views expressed, however, are entirely personal.

H. B.

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INTRODUCTION :

CONCERNING MUTUAL HELP

BRIEFLY, and in its widest sense, co-operation means working together, or mutual help. It is one of the great forces which have been shaping the destinies of living creatures ever since life began on this planet. Just as much as another force, competition, it is implied in the phrase, "survival of the fittest."

Now it happens that the importance of competition has been frequently exaggerated, because during the past two hundred years there grew up and flourished a system of business enterprise founded upon the idea of man working *against* man. There are signs, however, that this system is declining; it was never sound, since it took little or no account of the tendency men also have to work *with* each other.

Nowadays, it is true, many industries have become gigantic combines, which fact might suggest they had taken the teachings of co-operation to heart. But actually there is not much difference: rival gangs may compete with one another just as zealously as do individual businessmen. The underlying principles are the same, and exploitation rather than service is a frequent result.

Even when the system which glorified competition was in its heyday, many men and women turned in self-protection to another way of living, and in the mid-nineteenth century laid the foundation of a social

and economic order in which co-operation was to be dominant. Co-operation had always been practised among members of the human race, but now it was being deliberately organized.

So widely accepted, however, had become the notion that competition—much more thoroughly organized—was the only workable theory for society, that the newer doctrine had to overcome objections from many of those most likely to benefit from it. Evolution and competition were commonly regarded as one and the same thing. Men misused the phrase “survival of the fittest” when they wanted an excuse for trampling down their fellows in business, for going to war. They said: “the strongest must prevail and the weakest go down; that is the law of the jungle; that is what evolution teaches.”

But does it? Actually, it is as far from the truth to picture the earth as one vast slaughter house as to imagine it saturated with brotherly love. There is struggle, of course, but there is also mutual aid, without which life for most species, including man himself, would be much more difficult. Among the wild animals, many kinds dwell in colonies or travel in flocks in order to protect and help one another; and the social kinds, however small and weak, get along better on the whole than solitary creatures. As Kipling has put it:

“For the strength of the pack is the wolf,
And the strength of the wolf is the pack.”

A thoughtful study¹ of the whole subject was once made by Peter Kropotkin, distinguished Russian geographer, naturalist and historian, a prince who became a revolutionary anarchist. Beginning with

¹ *Mutual Aid: a Factor of Evolution.*

mutual aid among animals, he went on to study the record of humanity from the most primitive races to the European society of his own day. He found this same mutual aid or co-operation flowing like a great river all through the history of mankind. So Kropotkin concluded that helping one's neighbor is a deeply planted instinct; without it man could never have advanced as far as he has done; and upon it his aspirations for the future depend. The fittest to survive, then, are those "who learn to combine so as mutually to support each other, strong and weak alike, for the welfare of the community."

In short, co-operation is an even stronger influence than competition.

Possibly more people agree today with these views than when they were first advanced. At any rate the co-operative movement is steadily gaining recruits. Men and women who work together in this movement may not give any thought to the theory of co-operation as a factor of evolution, but if co-operation is really a natural tendency, it will be practised spontaneously.

As a way of doing business, co-operation, according to one definition,¹ "occupies the middle ground between competition and state or municipal socialism." Individuals combine to improve their economic position by buying or selling in common. For this purpose they have drawn up a set of working principles, of which the two most important are democratic control of their enterprises, and payment of dividends in proportion to patronage.

The modern co-operative movement, however, looks beyond the field of business. It is also a creed, that society will be more orderly and secure and life

¹ *Encyclopaedia Britannica*, eleventh edition.

happier for the masses of humanity as mutual help pushes competition, with its slogan of "every man for himself," farther into the background. "Each for all, and all for each," is the motto of the movement the world over.

Its advocates believe that the co-operative way of life will do much to give mankind more general access to the products of modern agricultural and industrial science, to make the "age of plenty" a reality.

CHAPTER I

IN THE EARLY DAYS

WE think of Western Canada as a young country; and it is young compared with some of the lands of Europe and Asia where the human race grew up and long ago learned the arts of agriculture. Yet it is now well over a hundred years since the first settlers came to this broad realm sprawled across central North America. They were Highland Scots who ventured, a shipload at a time, to the flat coastline of Hudson Bay and thence struck far inland into a wild unknown continent.

These people carried with them seed wheat from Scotland and sowed it along the banks of the Red River where they tried to establish homes. That was in 1813. But the harvest failed; the variety they had brought was not suited to a climate harsher than they had known. Lord Selkirk's Highland settlers had begun a struggle which has never ended down to the present day, although the succeeding century is a history of gradual gains over Nature's obstacles.

There were other foes besides Nature. The two powerful fur trading companies which then ruled the land did not wish permanent settlement. Although Lord Selkirk, through controlling the older of these rival companies, won some support for his colonizing scheme, he had from the other nothing but suspicion and at length outright hostility. "Lord Selkirk must be driven to abandon his project," declared a partner



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in the North-West Fur Company, "for his success would strike at the very existence of our trade."

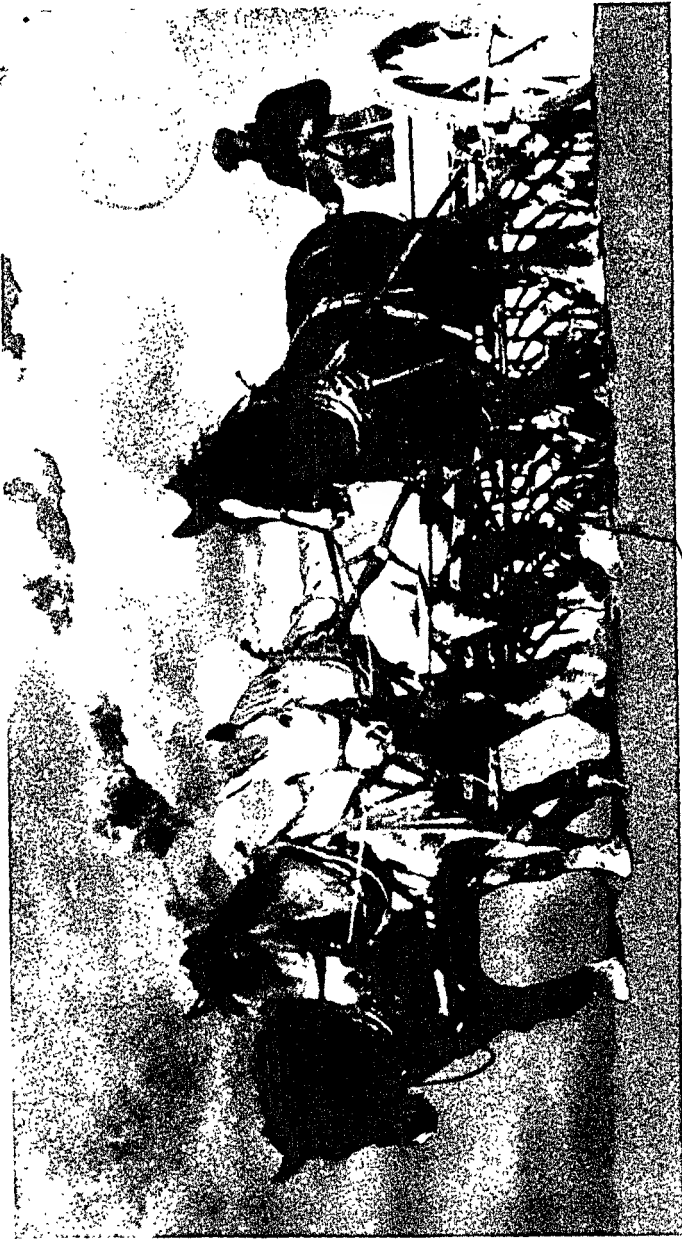
It was a struggle between two of man's most ancient callings—agriculture and hunting. Of these, agriculture is the more recent to appear; and as it has won its way in other lands, so it finally triumphed here also. After hardships, defeats and disappointments the Red River colony—trampled out for a time—survived and left its descendants to carry on the work bravely begun.

In that period of distress, the tiny settlement was kept alive by courage, toil and mutual helpfulness. Men and women shared their difficulties. The original settlers saw crops destroyed by frost and by plagues of grasshoppers; fur traders burned their homes and drove them into the woods; some were slain; but the fields near the junction of the Red and Assiniboine rivers were sown again, and the colony took root.

In time the fur traders disappeared from the prairie, and with them retreated tribes of Indians who likewise lived by hunting rather than by gathering the fruits of the soil.

Even after the way was thus cleared, the tide of settlement flowed in slowly. By 1875 or thereabouts, establishments of trading routes, introduction of hardier varieties of wheat, improvement of milling processes, and so on, opened up a new era for the West. The first transcontinental railway followed, and people moved westward in greater numbers, from older Canada, the British Isles and elsewhere. They pushed ever farther over the great plains, and at the close of the century they were breaking new land in sight of the Rockies. The buffalo surrendered his domain to the settler's herds; virgin prairie sod





PUTTING IN THE CROP

IN THE EARLY DAYS

became clothed with wheat; and everywhere ribbons of steel crept across the land.

Strong in heart and sinew were the pioneers of the 'seventies and 'eighties, those who began to make homes in Manitoba and the vast territories of Assiniboia and Athabaska. Milton's prophecy was being fulfilled again in this vigorous young country: "Methinks I see in my mind a noble and puissant nation rousing herself like a strong man after sleep, and shaking her invincible locks; methinks I see her as an eagle mewing her mighty youth, and kindling her undazzled eyes at the full midday beam."

Like the eagle, the early Western settlers were independent and self-reliant. Unlike the eagle, which is solitary in its habits, they learned to work together in order to face common hardships.

A new arrival who had no binder might stook for his neighbor and in return have his own grain cut. Barn-raising by the combined man-power of the whole district was a common occurrence, and frequently, too, the settlers would repair damage to one another's buildings. A familiar kind of community effort was the "beef ring," whereby each farmer in turn undertook to provide a week's supply of meat for the others. Everyone knew his neighbor, miles away though he might be, and was ready to help when he most needed help. The frank, kindly hospitality of Western homes became renowned.

In every community neighbors are helping one another today just as they have always done on the prairies. So much are these acts of fellowship taken for granted that they seldom become widely known. One instance, typical of many, may be set down here to show that even in modern times of power farming the same instinct to help is much alive.

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A farmer of the Starbuck district, in Manitoba, was struck repeatedly by misfortune. He lost part of his farm, including home and buildings. Drought ravaged his fields, and then illness sent him to hospital. Not satisfied with harvesting the remnant of his flax crop for him, his neighbors decided they should help him make a fresh start the following year by taking care of his fall plowing. So they passed the word along, with the result that an army of nineteen tractors invaded the deserted field. The owner returned from hospital in time to see the work in progress, and there can be no doubt that the knowledge he had such friends hastened his recovery.

The earliest stage of co-operation among farmers was of this informal kind. Very soon, however, problems arose which affected not merely a single home or a district but the whole grain-growing territory, and these problems required a more ambitious plan of attack. Grievances which no individual could cure by himself brought the first great agricultural organization.

Production of grain was well advanced by the end of the last century. Railways carried barely eleven million bushels out of the West in 1886; in 1890 this figure was about doubled, and in 1899 it had increased four-fold.

Prairie farmers complained of flaws in the system whereby their wheat was shipped and marketed. The grain poured eastward to Fort William along a single narrow channel which easily became choked in the rush season. Everybody was anxious to move his crop each fall before ice formed on the Great Lakes; otherwise it would have to be stored all winter or be

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charged a higher rate to move it to seaboard by rail. It was difficult to get railway cars when they were wanted. Nor were there enough warehouses to store the grain until cars did arrive in the district.

The Canadian Pacific Railway Company, first in the field, provided terminal storage at the head of the Lakes. But there was not sufficient, and the Company either could not or preferred not to build warehouses at local shipping points. Very few pioneers had granaries at home. They must haul the crop from their land at once; and those who could not load directly on cars had to take it to some railway point where a dealer had set up a "flat warehouse," sell it to that dealer, or store it until he had enough to make up a carload shipment to some Winnipeg commission firm.

Flat warehouses were useful, but the business soon grew too large for them to handle. Their bins were shallow, and the loading of cars was a slow process. South of the international line the same trouble had been overcome through invention of a device called the endless cup conveyor, thereby making possible bulk handling of grain both for binning and loading. Thus the elevator appeared, and soon became a familiar landmark, visible for miles across the level plains.

In Canada, the railway company decided at length to encourage the building of elevators, offering special privileges to anyone who cared to erect a house of at least 25,000 bushels capacity at any shipping point. Private interests were glad to accept, for they were given free sites. Moreover, the railway undertook not to allow loading of cars through flat warehouses or direct from farmers' waggons; the elevator got all the business. By the close of the

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century 447 country elevators were operating, 281 of them being owned by five companies.

The coming of these elevators would have been most welcome to Western farmers but for the privileges under which they carried on. The grower no longer had any choice in the matter: the elevator bought his grain or stored it, in either case on its own terms. And the charges for storage he considered much too high. Seldom now could he get a "special bin" so as to preserve the identity of his own grain until he was ready to ship it east and obtain the inspector's official grading; instead he had to accept whatever grade the local operator offered him.

Then, too, the elevator firm combined warehousing and dealing in a way which aroused the grower's indignation still more. Revenue from handling was not thought sufficient for a company's welfare, so most elevators speculated as a profitable sideline, buying from a host of farmers who needed cash badly, and later, when the market had recovered from the usual fall pressure, selling at a higher price.

Competition, it was said, ensured fair dealing, but farmers were skeptical. At single elevator points they had to agree to whatever price, grade and dockage were set by the buyer, or else drive a weary journey to some other point. But even where more than one company was represented, the suspicion grew in farmers' minds that local prices were really set daily by a conference of elevator men at Winnipeg, and that occasionally better prices or grades were made up by overdocking or short-weighting.

A few farmers here and there tried to run local elevators for themselves. This was an early attempt at co-operative business, but it did not go far enough,

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and the powerful private companies quickly combined against the bold intruders and suppressed them.

So irritation and discontent grew from season to season. The growers felt themselves in the grip of a conspiracy to rob them of the full fruits of their work. After all, they were the men who provided the golden stream out of which others were dipping repeatedly and making fortunes. It was all very well to pay for services rendered, but farmers complained they were paying entirely too much. These townsmen were fleecing them, was their bitter reflection as they sweated in the prairie heat. Whether entirely justified or not, in those years a hostility toward middlemen was born which has never since expired.

Defenders of the railway and the elevator combine might protest against the violence of the charges first muttered and presently shouted loud in the country. "There is no great smoke without some fire," says a proverb; beneath the cloud of smoking words that poured out of a thousand farm homes, from country meetings and from public assemblies, and spread across the pages of newspapers, were fires of resentment kindled by real and not imaginary wrongs.

Had the aroused farmers stopped short at talk, nothing much in the way of lasting reform might have resulted. But they learned at a fairly early stage that unorganized grain growers were helpless at the hands of highly organized interests controlling facilities which they could not get along without. "If we expect action," insisted influential voices among the plainsmen, "we must organize too."

They did so, but not until they had tried another course—successfully, as it happened, within the

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limits of what that course could accomplish. Their first move was to see if governments could do anything to help them.

In 1898 James Douglas, federal member for East Assiniboia, brought in a bill "to regulate the shipping of grain by railway companies in Manitoba and the North-West Territories," asking for farmers the legal right to ship grain through flat warehouses and to obtain railway cars for direct loading from their waggon. The bill did not pass, but it had something to do with the C.P.R. undertaking to provide cars to farmers who required them. Actually the promise meant little, because, among other reasons, many shipping points had no loading platforms.

Douglas continued his fight, to such good effect that the Dominion government (led by Sir Wilfrid Laurier) appointed a royal commission, the first of its kind, to look into the whole trouble. It was composed of three Manitoba farmers and an Ontario judge. The commission toured the West, reported to Parliament that "so long as any farmer is hampered in, or hindered from, himself shipping to terminal markets, he will be more or less at the mercy of elevator operators," and recommended "the fullest possible freedom in the way of shipping and selling grain."

The Manitoba Grain Act of 1900 followed, making legal a long list of reforms. Briefly, the Act, which in spite of its name applied to the whole Dominion, regulated the railways and elevators in the interests of grain growers. It called for an official, to supervise the grain trade in the West and to whom farmers might send their future complaints as to weighing and grading. The government chose a farmer member of the Royal Commission for this important post

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of warehouse commissioner: his name was C. C. Castle.

It has been pointed out by students of Canada's grain legislation that early statutes had to do chiefly with weights, measures, grades and so on, and while of advantage to producers were more directly of concern to dealers and indeed were largely suggested by them. The Manitoba Grain Act, on the other hand, was a measure to regulate those middlemen themselves, and resulted from agrarian pressure. Western Canada greeted the Act with enthusiasm.

Having accomplished so much, the farmers might have believed that they could now go on with their proper work of raising the finest bread wheat in the world. They had an Act of Parliament to guard their interest: what more needed to be done? A great deal, as events proved. The struggle had only begun. Those who fancied that governments could protect the unorganized producer were not left long in that happy state of mind.

CHAPTER II

THE FARMERS ORGANIZE

WITH passage of the Manitoba Grain Act, rights to use flat warehouses had been restored. As a machine for handling grain, however, the elevator had come to stay, and the day of the primitive warehouse was over. So the privilege fought for successfully was used less and less. While much grain went across the loading platform, loading into cars by hand was hard and hurried work, and here also the elevator had an advantage.

Merchants known as track buyers now appeared at country points and began to compete with elevators. From the farmer's point of view that was satisfactory, and it looked as if the elevator monopoly was definitely broken.

The elevator firms had other ideas. Regulations under the Manitoba Grain Act caused them to close their ranks and combine more effectively for their own protection. Handlers of grain of all classes formed an organization called the Manitoba and North-West Grain Dealers' Association,¹ linked up with the Winnipeg Grain Exchange, which had been incorporated in 1891. While some independent dealers remained in the field, the new association soon gained a strong position. Its very existence was

¹ The original organization, known as the North-West Elevator Association, was formed about the time of harvest of the 1901 crop. The name which became more familiar was adopted upon reorganization a few years later.

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a challenge to a multitude of unorganized farmers scattered over the prairie.

The crisis came in the fall of 1901. Having the legal right to load his grain over the platform and ship it direct to eastern terminals was not of much value to a producer if he could not get any cars. And in 1901 that is what happened. The Western wheat crop that year, sixty-three million bushels, was the largest the country had ever known, nearly double the previous high mark of thirty-five million in 1895. Other grains also yielded abundantly. Then because of bad weather the harvest was late, the railways could not meet the demand for freight trains, and a serious grain blockade followed.

Elevators were choked, and angry farmers stood all day long beside their waggons in the street until they gave up the hopeless errand and drove home again with not a bushel delivered. When navigation closed on the Lakes in early December, and with it the cheap water freight, half the finest crop in Western experience was left to deteriorate on the farms. Granaries were still few, but that season thousands of temporary sheds were thrown together to hold the wheat until next spring. In the Indian Head district alone 120 granaries were built.

Indian Head, where the blockade was most severe, has figured more than once in the early history of the West. One of the original Dominion experimental farms, established at this Assiniboia town in the 'eighties, had much to do with making known Red Fife wheat to prairie growers, and years later, in 1907, it was here that the now famous Marquis variety developed by Charles Saunders was successfully introduced.

Prominent in the realm of quality production,

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Indian Head also won renown as the birthplace of modern agricultural co-operation in Western Canada. From the surrounding district, in that year 1901, came the men who first took bold action to defend their industry.

It all started one late fall day when John Millar and John Sibbold, as they walked behind their wheat-laden waggons on the trail to Indian Head, got to talking about the wrongs of farmers. It was a favorite subject. For a while they poured out their indignation on the matters of car shortages and exactions by the elevators, until it occurred to Sibbold that it might be a good idea to call a farmers' meeting at "The Head."

The meeting was held, more with the idea of voicing resentment than with any definite remedy in mind. The fifty or so who turned out protested unanimously against their treatment by the railways and elevator corporations, and such was the bitter feeling that a fire of rebellion might have swept across the prairie had not calmer yet equally determined spirits taken control and transformed noisy undisciplined revolt into a great agrarian movement.

Among the early settlers of the beautiful Qu'Appelle Valley region was W. R. Motherwell (later to become minister of agriculture for Saskatchewan and then for Canada), who had farmed near Abernethy since 1882. He had suffered as much as anyone from the impossible marketing situation, and had pondered over the question of remedies—to good purpose, it appeared presently—especially since the fiery meeting sponsored by Millar and Sibbold. Obviously farmers all over the country from Regina into Manitoba were ripe for action: the problem was

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how to direct such an abundance of energy into constructive instead of destructive channels.

At last one night Motherwell had a long talk with an old friend and neighbor, Peter Dayman, who had driven over to see him. The two Abernethy men, separated politically, but united in their determination to abolish the injustice suffered by their fellow producers, sat down to lay their plans. They talked long and earnestly. It was late when Motherwell, while his companion looked on and approved, pulled paper and ink into the light from an oil lamp and carefully drafted a meeting invitation.

This message, addressed to a number of farmers in the district who they believed would support their new proposal, outlined arrangements for a meeting at Indian Head for the purpose of forming if possible a permanent association of grain growers. Such an association would be non-political, and thereby would avoid the pitfalls into which had tumbled and so perished a previous Canadian farm movement, the Patrons of Industry; and its object would be to meet the organization of traders by organization of producers. The letter thus written in Peter Dayman's home proved to be a memorable document.

"It was written," said one of its authors in after years, "on a five-cent pad, and no copy was kept of it. We sent it signed jointly by Dayman and myself, to fourteen men in the district."

The friends showed good judgment in their choice of place and time for the meeting. They knew that on December 18 a big debate was to be staged at Indian Head, and farmers would flock to town to hear it. For the rivals were to be Hon. R. P. Roblin, Premier of Manitoba, and Hon. F. W. G. Haultain, Premier of the Territories. The Manitoba leader

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wanted to annex East Assiniboia to his province, and his opponent was on hand to argue that the people of Assiniboia would be better off if they formed a new province altogether.

As Motherwell and Dayman had foreseen, a large and eager crowd rallied to Indian Head on the 18th. The debate took place in a fanning-mill factory, which was jammed full of farmers and townsfolk, perched on rows of hard plank benches. Haultain routed the Manitoban in a tussle of words that raged until long past midnight.¹

But that afternoon, before the debate began, an even more important meeting was held in the same place, though the audience present were probably unaware of its significance. It was the organization meeting of a great Western farmers' movement. The driving power was provided mainly by Motherwell, Dayman, John Millar, and a fourth, Senator Perley. Little persuasion was needed, however: most of the farmers agreed with the arguments presented and added a few more for good measure. Few voices objected to the call for combined action.

Somewhat remarkable was the success the two spokesmen achieved that December afternoon. They had to deal with the most sturdily independent men on the face of the earth—pioneers every one of them, accustomed to stand on their own feet and do things for themselves. While co-operation was not at all unknown to them, their experience of mutual assistance had been confined to occasional acts of neighborliness and followed no particular plan. Now they were being asked to work together according to a definite plan; and they agreed to try.

¹ A few years later, in 1905, the province of Saskatchewan was carved out of part of the old North-West Territories.

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So the Territorial Grain Growers Association was formed on the spot. A committee set to work to draw up a constitution. Motherwell, upon the nomination of Angus MacKay (an honored name in the pioneer work of the Dominion Experimental Farms), became provisional president. The farmers dispersed after deciding to meet again later in the winter for the purpose of getting the association properly on its feet. Cutters sped over the snow-packed prairie trails, spreading the news among the folk of East Assiniboia; local branches sprang up magically, and in six weeks the movement had a firm foothold from Regina to Moosomin.

The first Grain Growers' convention was held, fittingly, at Indian Head, on February 1, 1902. W. R. Motherwell was elected president and John Millar secretary, and directors were named. The convention got down to business, and in tersely worded resolutions left no doubt as to what it wanted. It asked amendments to the Manitoba Grain Act, so that railway companies might be obliged to erect loading platforms as soon as approved by the warehouse commissioner. It also asked "that railway companies be compelled to provide farmers with cars to be loaded direct from vehicles, at all stations, irrespective of there being an elevator, warehouse or loading platform at such station or not." Further, the meeting urged changes in the Act making it the duty of a railway agent to apportion cars in the order in which they were called for.

These requests went to Ottawa, where the government was impressed by their clear and definite nature. Almost in the very language in which the convention drafted them, they were incorporated in the Manitoba Grain Act as revised by Parliament in May



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1902. Already the Territorial Grain Growers Association had justified its existence as an instrument for the farmers' welfare.

In view of the dangerous situation which had been smoothed over through resort to negotiations instead of force, the coming of the Grain Growers Association has added significance.

Talking over those stirring days a full generation later, Hon. W. R. Motherwell recalled the country's state of mind on the eve of action.

"There was incipient rebellion when we organized. 'It's too late for organization; it's bullets we want,' men were saying. But we really didn't know what we wanted; we were in despair. It was not a question then of growing crops but of marketing them. In the fall when the elevator opened you would see a rush of waggons wheel to wheel, to see who would get there first.

"We on the frontier, with twenty-five miles and more to drive to market, spending hours on prairie trails under the midnight sky—we felt most the need of organizing. Fifty bushels was a heavy drag over those high snow roads in winter. We travelled a mile for every bushel we sold. Let us see: a trip to Indian Head and back would be fifty miles; say a farmer had five thousand bushels, that meant five thousand miles to market his crop, the equivalent to loading a team, driving to Montreal, unloading, and getting home again in time to plant another crop.

"Those were the conditions of the time," the veteran farm leader went on. "The railways had our trade; so why should they worry? Why need they give us cars or branch lines except as it suited them? It was

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none of their concern that we had to travel over bad roads drifted high in winter; that we might be away for days, separated from home by distance and storms, and, having no 'phones, not knowing how things were at home.

"Well, we grew the wheat, which was valueless unless marketed. Wheat was regarded as gold by the Easterner, but it held no value for us until shipped out of the country. That fabulously big crop of 1901 caused congestion: cars could not be had. We built granaries along the tracks as well as on the farms, and regular villages of granaries sprang up at Sintaluta and Indian Head. Such conditions engendered bitterness, and the country was ready for anything."

Western Canada chose instead a saner way. Out of that stormy period grew a determination on the part of a large section of farmers to join hands and use every peaceful means to have their grievances removed. As the years passed, they developed strong organizations for this purpose and, not content with pressing Parliament for reforms, went into business for themselves. All the experiences of co-operative marketing and later still the growth of consumer co-operation, came about because of the initiative taken by a group of settlers along the Qu'Appelle Valley. Upon the foundation so well prepared, those who came after could build.

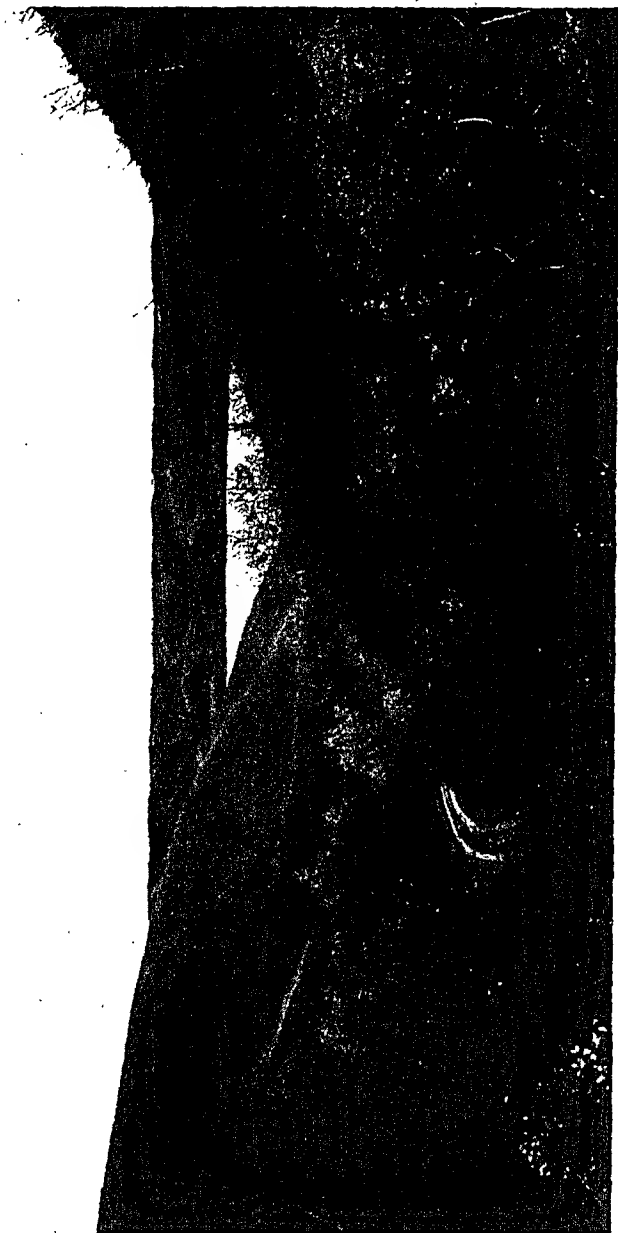
CHAPTER III

THE SINTALUTA TRIAL AND AFTER

WHEN W. R. Motherwell, at work on his Abernethy farm, considered the difficulties of prairie agriculture and thought out a plan to overcome some of them, he had little faith in political action as a basis for any grain growers' movement. That had been tried before and got nowhere. He felt that the most imposing legislation might easily prove worthless unless backed strongly by the men it was designed to serve. Therefore they must become permanently organized on non-political lines. Some time after it had begun its work, he explained the purpose of the Territorial Grain Growers' Association:

"With the farmers righteously indignant over their inability to dispose of the 1901 crop, the time seemed ripe for the commencement of a movement looking toward a permanent organization whose duty it would be to press persistently and insistently for an improvement in marketing conditions, transportation, warehousing, and for the introduction of new or amended legislation from time to time as the rapidly changing character of the country seemed to warrant it."

The wisdom of Motherwell and his friends in putting a watchdog on the premises was borne out the very same year the farmers succeeded in winning an improved Grain Act. For once again the law was not kept.



THE QU'APPELLE VALLEY. IN THIS REGION THE AGRICULTURAL CO-OPERATIVE MOVEMENT OF WESTERN CANADA
HAD ITS BEGINNING.



THE SINTALUTA TRIAL AND AFTER

The 1902 crop was even larger than that of the previous year. In spite of all assurances by railway officials that they would be fully prepared to handle the expected flood of grain, farmers found themselves in the grip of another "freight car famine". Their anger grew daily as they watched the conditions of 1901 being repeated.

Then the discovery was made that the railways were not being fair in the matter of car distribution. Actually, they were breaking a law which stated—but not quite plainly enough—that agents must keep a car order book and give every applicant his proper turn.

A second successive car shortage was bad enough. That the elevator combine should be able to get cars while the farmer went without was harder to bear. For thereby all advantages of a loading platform were lost. Elevators still controlled the local situation, forcing producers to accept their own terms, with the result that the difference between "street" and "track" prices for wheat widened from two and a half cents a bushel early in October to ten cents at the end of that month. The strength of the monopoly was shown by the fact that forcing down of prices was most severe at points where no independent buyer came into competition with the elevators.

This condition prevailed across the prairies. A group of Manitoba farmers declared in disgust that the Grain Act was worthless, "conceived in conceit and hypocrisy, shapen by hands traitorous to the interest of the farming communities." Strong language; but stronger action was taken in another Manitoba district, Minto, where farmers deprived of cars took the law into their own hands. They raided a Canadian Northern train and seized three cars assigned

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to local elevators, beating off the defending railwaymen. Then the victors quarrelled over their spoils and wound up in a free-for-all fight.

Farther west the Territorial Grain Growers' Association swung into action. It depended upon the co-operation of its membership, and events soon proved that in its armory were weapons more potent than fists. Now was to come the infant Association's first real test of strength.

To that diplomatic pair, Motherwell and Dayman, was entrusted the mission of interviewing railway officials at Winnipeg. They made the issue perfectly clear. Unless the car distribution clauses of the Manitoba Grain Act were strictly carried out, their organization would take the offenders into the courts. Perhaps those threatened were amused; at any rate nothing was done, so after waiting until the last spark of patience expired, the apparently feeble band of farmers prepared to keep its word.

Motherwell had a problem of his own in connection with that crisis. "As president of the Grain Growers' Association," he remarked long after, "I was compelled to take action against the railway for non-compliance with the law, that is, the car distribution clauses of the Manitoba Grain Act." But his neighbors were uneasy and objected to such a move, because they feared a branch line then being sought would be jeopardized if they fought the Canadian Pacific Railway Company on its main line. That branch meant a great deal to the settlers. Motherwell took the opposite view, that the law would become a mockery if not carried out. In any case, it was important to get something done in order to justify the new organization's existence. He decided his duty as head of the Grain Growers must come

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first and his interest in the more local issue second. As it turned out, both objects were forwarded.

The town of Sintaluta east of Indian Head became centre of a formal clash between the Territorial Grain Growers Association and the Canadian Pacific Railway Company. Complaints were laid before the warehouse commissioner that the Company's agent at that point had broken the law in allotting freight cars out of turn. Official investigation led to a trial in the winter of 1902.

As they engaged their adversaries, the farmers' spokesmen announced that the Sintaluta case, if it went against them, would be followed by others. They were determined to hammer away until the enemy surrendered.

Few seriously believed that anyone could take the measure of a corporation regarded throughout the West as all-powerful. Nevertheless farmers of the district crowded into the public schoolhouse at Sintaluta, hoping for the best, and eagerly following a chain of evidence brought before three magistrates. They heard how two local elevators had been given cars in preference to a grower whose application was ahead of theirs; and how one farmer applicant waited seven weeks while in the meantime eighty cars had reached Sintaluta and drawn away again laden with grain.

On the evidence, only one verdict was possible. The Company lost and was obliged to pay its agent's fine. Having appealed to a higher court without success, it accepted its defeat gracefully, and thereafter there was no shortage of cars at Sintaluta and no more discrimination elsewhere on the line.

For the farmers, this important campaign was won in the opening skirmish.

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As a result of the Sinaluta trial, the Territorial Grain Growers Association, still not a year old, gained much renown and flourished accordingly. Although some Western newspapers apparently missed the significance of the event, the news spread quickly and reached many a frontier settlement far from the Qu'Appelle country. Farmers marvelled at the small and untried organization which had managed to beat the most powerful corporation in Canada. They talked about the Association in admiring terms, and more important, they joined it.

This movement had been launched in the Territories, not, as might have been expected, in the older settled province of Manitoba. But now it ran eastward over the boundary and took root. Virden was first in line, other districts soon followed, until early in March 1903 the way was prepared for a provincial organization, duly set up and called the Manitoba Grain Growers Association.

The two associations carried the practice of co-operation in Western Canada one step further when they conferred and acted together upon matters of common interest, chiefly about improvements to the Grain Act. Their policy of making requests jointly of the Dominion Government was to be continued with marked success by later interprovincial farm organizations.

One effect of the troubles leading to the Sinaluta trial was that Parliament revised the statute again, and this time did a better job. Representatives of both Western producers' associations went to Ottawa to see it done. Vague meanings were cleared up, the farmers having a direct part in drafting the new legislation.

Grievances over the right of direct shipment and

THE SINTALUTA TRIAL AND AFTER

equality in car distribution largely disappeared as a result of the 1903 amendments. This was so partly because of the law itself, but probably more so because the farmers now had an alert association in Manitoba as well as the Territories; these watchdogs had earned wide respect.

To complete this account of the earlier stages of farmers' organization in the West, it may be as well to glance at the course of events in that magnificent sweep of parkland, forest, prairie and rolling range presently to become the province of Alberta.

Prestige of the Territorial Grain Growers following the Sintaluta triumph made itself felt among settlers west of the central battle zone. Some locals were formed. But a distracting influence had already appeared when American settlers from the Dakotas and Nebraska brought with them an organization of their own, the Society of Equity. Branches of both farmer movements spread over the country, and repeated efforts to unite them in a single body at first broke down.

When Alberta became a province in 1905 the western units of the Association chose the name "Alberta Farmers Association," taking in as well two Equity locals near Edmonton. Rice Sheppard, an active Grain Growers' supporter, was largely responsible for this limited success in the attempts to secure amalgamation. At length, however, the Equity people lost much farmer confidence through failure of some commercial schemes they were behind; and the Alberta Farmers Association, confining itself to educational work and the general protection of agricultural interests, gained correspondingly. Among

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other activities, the latter organized a provincial seed fair, and secured separate federal inspection grades for Alberta hard winter wheat. It joined with Manitoba and Saskatchewan farmers in pressing for public ownership of elevators, a subject to be considered presently.

After several setbacks the supporters of united action gained their point, and in January 1909 the United Farmers of Alberta, a famous name in prairie political history, came into being. It was a direct merger of the two earlier farm associations. One of its main objects was "to study and teach the principles of co-operation and to promote the establishment of co-operative societies."

About seven years elapsed, therefore, between the setting up of the pioneer Western agrarian movement and the completion of its organization on the prairies.

In 1905, with the formation of two new Canadian provinces, the Territorial Grain Growers Association changed its name and divided into provincial bodies. The larger, taking in most of the old membership, became the Saskatchewan Grain Growers Association. It continued under that title until July 1926, when it joined forces with the more radically-minded Farmers Union of Canada, born at Saskatoon five years earlier under the stress of post-War difficulties: this was the beginning of the United Farmers of Canada, Saskatchewan Section.

Earlier in their development the various farm organizations took steps to bring about a closer connection. Provincial associations led to an interprovincial alliance and this in turn to a Dominion-wide organization of producers.

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The Interprovincial Council came in 1907, representing the four associations which were then functioning—one in Manitoba, one in Saskatchewan and two in Alberta—and having as its object the furthering of projects of common interest to prairie farmers.

Two years later, Westerners, encouraged by the usefulness of their interprovincial body, suggested linking up with the East in order to deal with national questions—particularly the tariff—and to stimulate the growth of co-operative buying and selling.

The big Eastern organization was the Dominion Grange, strongest in Ontario. To its annual meeting in 1909 leaders of the prairie grain growers were invited, and accordingly three went down to Toronto. This important convention of the Grange, it is worth noting, was presided over by a young Ontario farmer, E. C. Drury, who ten years later was to become head of the first farmer government in Canadian history.

All agreed that East and West could and should come together. "Our views on economic questions are the same," declared one of the Western men, Roderick McKenzie, "and if we bring our united forces to bear, we shall obtain for ourselves the influence in the matter of legislation which we should have."

A constitution was drawn up at Toronto, being approved, as they had the opportunity, by all the parties concerned. This brought into being the Canadian Council of Agriculture, made up of the executive of the affiliated farm associations across Canada. The first officers, elected at Prince Albert in February 1910, were: D. W. McCuaig of Manitoba, president; James Bower of Alberta, vice-president; and E. C. Drury of Ontario, secretary-treasurer.

The Council's first action was to lay plans for an

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assault on industrial monopolies suspected of sheltering in Canada behind a high tariff wall and becoming rich at the expense of farmers and other home consumers of their manufactures. It also intended to do battle for the farmer on grain matters.

CHAPTER IV

PARTRIDGE'S PLAN

A NEW stage in the progress of farm co-operation is now reached.

No sooner was one set of problems fairly well out of the way than others appeared. Really they had been present before, but more pressing troubles arising out of the grain blockades had to be attended to first. In facing these next problems the organized farmers plunged into a long, arduous struggle; the passing of a generation would not see the end of it.

From freedom in shipping farmers' thoughts turned to control over marketing their grain. Here they had to cope with a well-established, intricate system, leading from local elevators through the speculative machinery of the Winnipeg Grain Exchange to distant terminals where prairie grain passed into export channels.

Experience had made many growers suspicious of dealers. They believed the country elevators to be a combine making excessive profits through absence of competition. They grew more and more worried by the behavior of the free open market where their prices were set, a market in which speculation frequently distorted (they thought) the results of changes in world supply and demand. They suspected, too, that terminal elevator operators took their strictly graded grain and mixed it in in order to draw a little more profit out of export sales. These

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farmers concluded other people were getting too great a share of the proceeds of their crops.

Here were matters enough to claim the energies of the youthful farm movement. At Grain Growers' meetings grading and terminal handling were much debated in the next few years following the clash with the railways. As before, talk led to action. In 1903 and 1904 the Territorial department of agriculture had milling and baking tests made of many grades of prairie wheat samples. The expert's report bore out what farmers had suspected—that the difference in bread-making qualities of flours from the various grades did not justify the spread in prices.

With this information, the associations pressed hard for a fairer grading plan. Deputations went to Ottawa; arguments passed to and fro; until at last in 1906 the government appointed a second Royal Commission to look into complaints, with that farm movement pioneer, John Millar of Indian Head, as chairman. By then, as will appear, wider controversies were involved.

Prairie settlers did not leave all the investigating to governments: a few of them decided to do a little sleuth work on their own account. Accordingly the active Sinaluta unit of the Territorial Grain Growers Association sent one of its members to Winnipeg as a scout to learn what he could about grading in the inspection yards and the mysteries of the grain trade in general.

The man chosen was one of the most remarkable figures in the history of a movement which yields many honored names. E. A. Partridge of Sinaluta had farmed in the Qu'Appelle Valley region since 1883, spending his first prairie winter in a tent. Homesteading hardships he knew, and of poverty

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and disappointment he had had his share: weeks of labor swallowed up in the ravages of drought and hail and gophers; or, on the other hand, good crops hand in hand with ruinous prices. His was the experience of thousands of pioneers.

Big and muscular, Partridge was well fitted for the rough frontier life. Besides a strong body, however, Nature had endowed him with a generous, active mind and eloquent tongue to express his burning convictions. All his days he was a crusader against injustice.

These words, spoken in warning to the people of Sinaluta after the court victory, serve to indicate the man's outlook:

"At present we are but pygmies attacking giants. Giants may compete with giants, pygmies with pygmies, but pygmies with giants, never. If we are to create a fighting force by co-operation of the workers to meet the giants created by the commercial co-operation of the owners, we have hardly started. If we seek permanent improvement in our financial position and thereby an increase of comfort, opportunity and sense of security in our lives and the lives of our families, the fight will be long and hard. And we are going to need every man we can muster."

Such was the champion sent to Winnipeg in January 1905. Inquisitive strangers were regarded as trespassers in grain trade circles, as he quickly found, but he went ahead doggedly gathering information wherever he could get it.

After a month Partridge started back home with evidence which convinced him that the larger elevator companies and exporters were in league, and that price fixing in the country was one form this "gentlemen's agreement" took. The farmers were being

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exploited and their exploiters were closely organized. What had rested previously on suspicion seemed to be amply confirmed.

Now was born Partridge's great idea. Why should not prairie producers combine and go into the grain business themselves? They might save money which had been going to middlemen in quantities out of proportion to the service rendered. He was sure they could succeed.

Full of his scheme, this forceful Sintaluta farmer came to the third annual convention of the Manitoba Grain Growers Association, held at Brandon. He told the delegates assembled of his Winnipeg experiences, how "it was as difficult to get an idea of the grain business there as for a man on the outside of a house with the doors locked and blinds down to get an idea of the inside contents." He then unfolded his plan of a co-operative grain company, to be owned and operated by farmers, to build elevators and perhaps run its own flour mill as well. Taken by surprise, the delegates looked at him dubiously and said, as cautious men will do, "We'll think it over."

So Partridge went on home, and met with a very different reception. Here was one case of a prophet having honor in his own country. His Sintaluta friends enthusiastically caught hold of the idea, and resolved to take action. As soon as the 1905 crop had been cut, Partridge and four other farmers met in the local hardware store and drew up the outline of their projected company.

That step was taken in October. Three months later, undismayed by a rather skeptical attitude displayed meanwhile at the Moose Jaw annual meeting of the Saskatchewan Grain Growers Association (as

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the Territorial organization was now known), the little group of promoters rallied Sintaluta farmers to the town hall. Cordial approval was given to the Partridge plan, with this change, that the company should not attempt to run elevators at first but should confine itself to the less risky operations of a commission business. Shareholders of the enterprise must be farmers exclusively, and no person might hold more than four \$25 shares. Further, in accord with co-operative principles, no shareholder could have more than one vote, and proxy voting was ruled out.

That was the beginning of the Grain Growers Grain Company (January 27, 1906). When the farmers left Sintaluta town hall, the first two hundred shares had been subscribed, and a committee chosen to sell stock among Saskatchewan Association members.

In the midst of the ensuing campaign Partridge appeared once more before the Manitoba Association in annual convention. During the year which had elapsed the Manitobans had had ample opportunity to reflect, and they were more favorably disposed, but still not quite ready to endorse so bold a plunge.

One of the converts to going into business, present at that meeting, was John Kennedy of Swan River, whose services presently were to prove a boon to the struggling company. Along with several other Manitoba farmers, he joined the stock-selling drive, bringing hundreds into line with their dollars. Kennedy was genial but determined, and few could resist his arguments.

Yet on the whole the campaign made but slow progress. This was not remarkable when it is realized that cash was scarce; that most farmers who

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could dip into their pockets did so more in the way of a donation to an interesting experiment rather than as a business investment; and that both grain growers' associations still withheld official approval of the enterprise. Partridge himself appreciated that the associations should stay aloof from actual trading, leaving that to a separate company.

The next move was to secure a charter from the Dominion government. Whether or not Ottawa was actually unfriendly to the scheme, the fact remains that a technical objection was raised and progress blocked. Refused their charter, the promoters, inspired this time by the example of John Kennedy, tried for a provincial charter instead, and were given one by Manitoba. It gave them more restricted powers than they had hoped, but half a loaf was better than none.

The precious document in their hands, they made haste to complete organization in time to start business with the 1906 crop. Once again a popular attraction was seized as an opportunity to bring the farmers together. Just as Motherwell and Dayman had turned a much-advertised political debate to account in forming the Territorial Grain Growers Association, so the men behind the Grain Growers Grain Company took advantage of the annual Winnipeg exhibition in July to hold a shareholders' meeting.

From the host of farmers present they collected all the shareholders they could find, and mustered them in a tent. While holiday noises raged outside, this strangely situated business meeting quietly went to work and appointed a provisional board of directors. E. A. Partridge became president, and John Kennedy vice-president.

One more preliminary task remained, to raise

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enough money to buy a seat on the Winnipeg Grain Exchange. This cost \$2500, but only \$1000 remained in the company's treasury after paying organization expenses. There was no time to put on a further drive for funds: if this new co-operative venture could not be prepared to receive the 1906 crop, it might be a failure.

Seeing that peril, Partridge appealed to his own people of Sinaluta. Five of them, possessed of more means than the average homesteader, gave a fine proof of their faith by handing their personal notes to the bank in exchange for the needed balance of \$1500.

So the little farmers' company bought its seat on the Exchange, hired an experienced manager, obtained a line of bank credit, furnished an office in Winnipeg, rented bins in a terminal elevator, and on September 5 announced to the world it was ready for business.

CHAPTER V

BATTLES OF THE GRAIN GROWERS GRAIN COMPANY

PARTRIDGE and his friends had but one question in their minds in those early September days of 1906—would farmers support a farmer-owned grain company? They had not long to wait for an answer. Bills of lading for consigned cars began to flow in at once, and by the end of the month receipts were averaging over fifteen cars daily.

While the directors and management were congratulating themselves on such a promising start, other dealers on the Exchange watched their upstart rival with frowning eyes. They might very naturally wish to cripple it before it became too assertive. At any rate, within two months of its beginning, at the height of the grain movement, a blow was struck at the Grain Growers Grain Company with the force and suddenness of a lightning bolt.

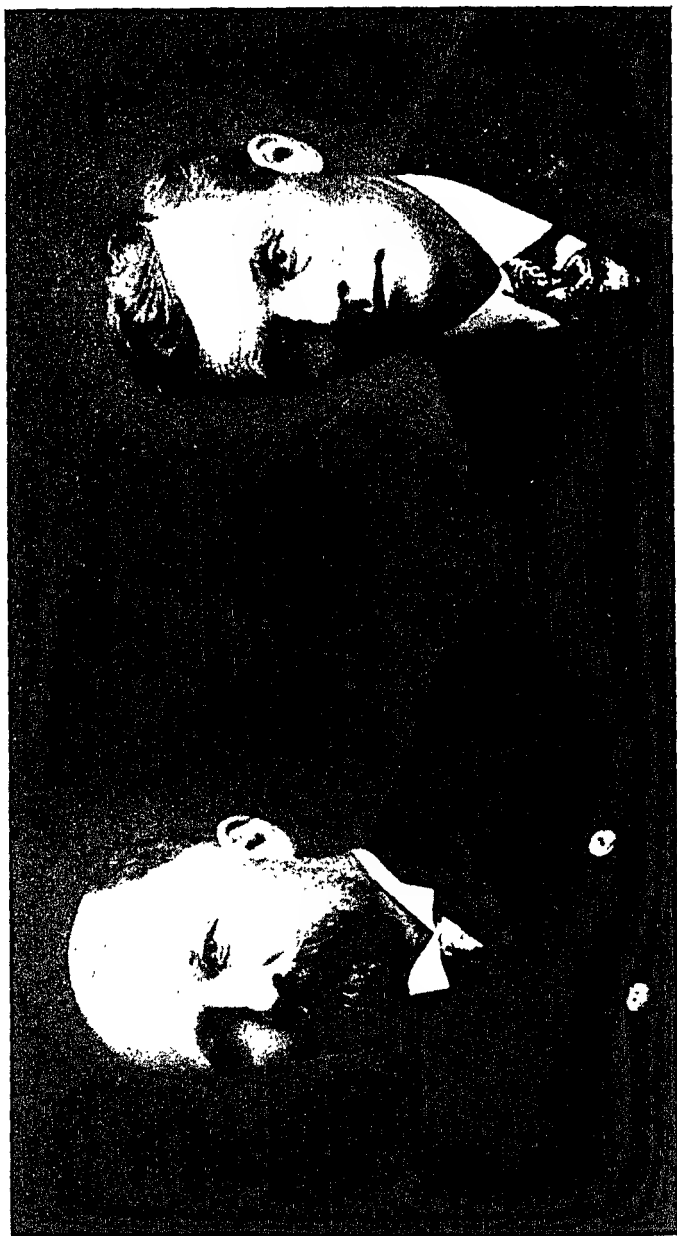
The company was expelled from all trading privileges on the Winnipeg Grain Exchange.

This drastic action arose out of two charges which Partridge was summoned to answer before the council of the Exchange. First, his company was accused of having "offended against the honor and dignity of the Exchange" through issuing certain pamphlets. Second, the Grain Growers Grain Company had announced that it would distribute profits from the season's business among its farmer patrons, and com-

1875

1875





W. R. MOTHERWELL AND PETER DAYMAN

BATTLES OF THE GRAIN GROWERS GRAIN COMPANY

plaint was made that this "patronage dividend" meant breaking a rule of the Exchange.

Regarding the first, there is no doubt that some strong statements had been made about the grain trade and all its works. Partridge was never a man to moderate his language, and both in speech and print he used unvarnished terms regardless of consequences. Nor was he repentant when called to account.

On the second point, the Exchange council declared, pointing to its bylaws, that no member could "split a commission with the shipper," as payment of a patronage dividend meant in its eyes. Partridge held his ground defiantly, refusing to call his shareholders and cancel the offending policy.

In early November all members of the Exchange were notified that they could no longer have any dealings with the Grain Growers Grain Company, and penalties would be imposed if they did so.

The farmers' company found itself in a desperate plight, with grain cars continuing to arrive in its name which it could not dispose of without itself paying a full commission charge of one cent a bushel. Meanwhile it had to make settlement with the shippers, with the result that by December its debt to the bank reached over \$400,000. The end would have come at that point had not Partridge, Kennedy and John Spencer the secretary given their personal bond without limit.

Unable to sell to millers and exporters on the Winnipeg Grain Exchange, the struggling company managed to get a little temporary relief by making sales in Eastern Canada and shipping directly from Fort William, both slow and expensive proceedings.

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Profits dwindled, but there was no other escape from complete collapse.

In this crisis help came from two quarters. It is an interesting page of co-operative history, for the two agencies that now rallied to the rescue both formed part of a movement worldwide in its influence. They were the powerful Scottish Co-operative Wholesale Society, representing perhaps a million consumers, and the young Manitoba Grain Growers Association, founded to guard the wellbeing of prairie farmers.

The Scottish Society, which through its Winnipeg representative held a seat on the Grain Exchange, deliberately broke the edict against trading with Partridge's concern, and bought a large amount of wheat from it at the regular commission rate. The generous action meant financial salvation, and was gratefully remembered by the producers' co-operative.

Different but no less effective was the course taken by the Manitoba Grain Growers Association in defence of the distressed farmer businessmen. The Association had declined to help organize the trading company as being outside its proper sphere, but that did not mean it was unsympathetic. If anyone had thought so, they quickly learned otherwise. The growing strength of the Manitoba co-operative farm movement was placed solidly behind the Grain Growers Grain Company.

Manitoba farmers took the lead because of their provincial influence in a case which involved the law of that province; the Winnipeg Exchange derived its charter from the Manitoba legislature.

When the Exchange refused to change its decision, a deputation from the Manitoba Grain Growers

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Association asked the provincial legislature to deprive it of the power exercised against the farmers' grain company.

The Exchange replied that it might as well go out of business altogether if that were done. The whole question was referred to a conference of farmers, the government, the Exchange, reeves of municipalities, railways and banks, Premier Roblin agreeing to put through legislation along whatever lines were recommended by this conference.

Meanwhile directors of the Grain Growers Grain Company came to the conclusion that help from the Manitoba legislature might arrive too late to save them. Every trading day brought ruin nearer. Their company had been thrown out because of its declared intention to pay patronage dividends. Now they discovered that distribution of profits on other than a share dividend basis was really illegal, for they had no such power in their original charter.

So the Exchange was in a doubly strong position. Realizing this, the directors retreated, dropped the proposal which had given such offence (although patronage dividends were stressed by co-operative societies generally as of first importance), and asked their trading privileges to be restored.

On one pretext or another, however, the Exchange council deferred doing anything about it. The farmers' company remained outside. In the eyes of its supporters, no further proof was needed that the true design of the Exchange was to wreck it completely.

Thereupon President D. W. McCuaig of the Manitoba Grain Growers Association appealed to the government, which succeeded at length in inducing the Exchange to give way in its turn. The final difficulty was Partridge himself, for the traders were

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unwilling to have any further dealings with a person so objectionable to them as the fiery Sintaluta farmer. It was settled that membership in the Exchange should be transferred to the name of John Spencer, secretary-treasurer, and it was further understood that the "system of rebating profits under the co-operative plan has recently been discontinued and annulled by a general meeting of shareholders." On these terms the Grain Growers Grain Company was re-admitted to the Exchange. It had been forced to drop one of the most cherished principles of the co-operative movement.

That was in the spring of 1907. A few months later a battle began over resolutions from the conference of interested parties—above referred to which had been called by the Manitoba government. Curb-ing of the Grain Exchange was demanded, and the Roblin government kept its pledge by forcing a bill through the house, on threat of resignation, bringing the Exchange under court supervision. In protest the Exchange disbanded, in February 1908, and no organized trading was carried on till the following fall. Then it reorganized as a voluntary association, with no charter, and has so operated ever since. By that method the Exchange evaded the provision of the bill giving members right of appeal to a judge.

Partially successfully as the farmers had been in the fight which they had carried to the legislature, they did not fare so well on a second issue raised in the courts. As mentioned previously, another Royal Commission was appointed in 1906 to gather evidence about the grain trade. Without waiting for it to finish this task, the Manitoba Grain Growers Association president, backed by his organization, laid a charge against three members of the Grain Exchange

BATTLES OF THE GRAIN GROWERS GRAIN COMPANY

council of having "unlawfully conspired, combined or arranged with each other to restrain or injure trade or commerce in relation to grain."

But in the spring of 1907 the court held that various grain trade practices were necessary and reasonable, in these words: "Not only was no undue restraint of trade disclosed, but the very acts complained of made on the whole for a more stable market at the fullest values and so for the public good." The Association appealed in vain against this judgment.

Similar findings were reached by the Royal Commission, which recommended however that pooling of earnings by elevators should be stopped; legislation was passed accordingly. Also it believed that the best way to check combination by elevators was by providing more railway cars and by allowing growers to load their own cars and consign them to commission firms.

The Grain Growers Grain Company emerged from this struggle without serious damage, and once more was ready to serve its farmer shareholders and other patrons.

In order to stay in business, the Company found it must possess the marketing advantages to be gained from membership in the Exchange, and to do so it had been obliged to surrender an important co-operative practice, namely, the payment of patronage dividends. It had been unable to make any substantial changes in the trading system. However, the farmers had won the right to take part in that system as traders, which in itself was an achievement.

Having lived through that early crisis in its affairs,

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the Grain Growers Grain Company began to make progress again. Unable to get along independently of the established grain trade, it clung there stubbornly, and made use of regular trading facilities in the interests of the growers.

As a matter of fact the attack which nearly ruined the infant Company proved a boomerang. Many farmers learned about the enterprise for the first time, looked on it as their champion and brought it business in growing volume. Moreover, through being forbidden to pay part of its profits to patrons, the Company was able to build up reserves and add to capital in its early stages, and thus greatly strengthened itself; and although profits went only to shareholders, those people were farmers.

E. A. Partridge saw his venture well on its feet and then resigned as president, believing his colleagues would manage better on the Exchange if his presence were removed from a place where he had become so unpopular. In this unselfish spirit he looked about for a successor, and found the man in a young shareholder who managed a farmer's elevator at Russell, Manitoba. This was T. A. Crerar, later to become a prominent figure in the grain trade and public life of his country. In spite of his apparent reluctance, Partridge got him elected to the presidency of the Grain Growers Grain Company in midsummer 1907.

The Company expanded steadily. It entered the export field, set up claims and grain sampling departments as additional services to its farmer customers, and financed a paper known as the *Grain Growers' Guide*. This was started in 1908 as the

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official organ of the Manitoba Grain Growers Association, and presently of the similar associations in Saskatchewan and Alberta as well.

Partridge was its first editor, but his desire to fight the battles of city workingmen as well as farmers struck his friends as taking in rather too much territory, so he resigned. His place was taken by a Winnipeg newspaperman, George F. Chipman. Another of the *Guide's* active spirits for a time, Roderrick McKenzie, was also secretary of the Manitoba Association. But the driving force was Chipman, who, besides making a success of the publishing enterprise, was active later in the farmers' political movement soon after the War, and possibly just missed becoming premier of Manitoba in 1922. He found time also to make himself a specialist in fruit growing on the prairies, carrying out many practical experiments in plant breeding which won him national renown, and was engaged in this work when a shooting accident on the day after Christmas 1935 brought his useful life to a close.

The *Guide* deserves more than passing notice here because it was the first official publication the organized farmers possessed in Western Canada, and it gave them staunch service in those early days. Exposure of the writer of anonymous letters to the press, seeking to sow suspicion in farmers' minds as to the management of their Company, was one of the more spectacular examples of its value; the supposed farmer correspondent turned out to be hired by some elevator owners.

Then during the crop year 1909-10 the *Guide* fought strenuously against elevator interests which had prevailed on the Winnipeg Grain Exchange council to suspend the so-called commission rule for



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one year as an experiment (commission firms were said in many cases to be breaking Exchange regulations by sharing the one-cent charge with local agents). Now elevator companies got revenue from trading in "street" grain and from country and terminal storage, whereas such a concern as the Grain Growers Grain Company had to depend on commissions entirely for its income. The upshot of this disturbance was that farmer shareholders supported their Company, which continued to charge the regular commission and made handsome earnings as a result. At the close of the season the Exchange restored the commission rule.

CHAPTER VI

TWO ELEVATOR EXPERIMENTS IN MANITOBA

OVER a long period, as measured by the life of a man, though quite brief in terms of a nation's history, the farmers of Western Canada have been struggling with man-made systems as well as with Nature. To overcome obstacles set in their way by the first, they organized, working together in a co-operative movement. Like a well disciplined army they have advanced gradually from one objective to another.

The first ten years of the present century brought about the creation of strong farmer organizations, some improvements in the machinery for handling the Western wheat crop won as a result of their efforts, and a thriving farmers' company established in the grain business.

Yet, notwithstanding these successes, the organized farmers had accomplished little in the way of breaking down what was generally regarded as a monopoly of elevator interests. Their own company had nothing to do with elevators except that it offered farmers a different way of selling their grain; its trade was carried on with those who shipped direct in cars from a flat warehouse or loading platform. The country elevator, however, came to be valued more and more by the average grain producer on the prairies, and consequently received an increasing amount of patronage. As wheat growing spread over

the countryside from year to year, particularly in the two westerly provinces—Saskatchewan left Manitoba behind as a producer in 1909—elevators were springing up everywhere and the flat warehouse, having played its part in prairie history, passed rapidly from the scene.

It came about, then, that country elevators dominated the grain handling business because farmers found them a convenience. More than ever Westerners asked themselves whether something could be done to remove or lessen private control over such necessary facilities. Better a public monopoly if there must be one at all, argued farm leaders, especially E. A. Partridge. Grain Growers Associations of the three Western provinces began to urge government ownership of elevators during 1907 and 1908. Prolonged negotiations followed between growers and their governments, the latter being led by Roblin of Manitoba, Scott of Saskatchewan, and Rutherford of Alberta.

The farm organizations wanted a single publicly owned elevator system for the West. This plan at length was discarded (because of a constitutional difficulty), each government deciding to work out the problem in its own way.

Of the three, Manitoba alone tried the public ownership experiment. A member of the government appeared before the Manitoba Grain Growers Association convention at Brandon shortly before Christmas 1909 and announced this decision. Men who were present still remember the excitement which the minister's speech aroused; how the delegates threw their hats in the air and cheered at the thought of a great victory won; and how the *Guide* came out with a front page cartoon showing Santa

TWO ELEVATOR EXPERIMENTS IN MANITOBA

Claus putting an elevator in the Manitoba farmer's Christmas stocking.

On second thoughts, the convention wondered whether after all the gift would bring joy abounding. Governments had been known to use public institutions for the benefit of their political friends. A business thus run might be efficient, or it might not; at all events the assembled farmers were uneasy over the possibility they saw before them. Promptly they had a memorandum drafted outlining their views to the government, asking that the proposed elevator commission should be recommended by the growers, appointed by the government, and responsible to the legislature.

The Manitoba government thought otherwise, arguing that as it was going to spend public money it should take direct control into its own hands. This and other features of the elevator bill brought objections from the Grain Growers Association, whose representative told the house agricultural committee: "If you are fully determined to carry out your scheme, while we are very sorry to say so, we cannot assume responsibility in connection with it, because we feel it would be a failure."

The government persisted, and the scheme, sure enough, was a failure.

The elevator bill became law in March 1910. While disappointed in what had been obtained, the Manitoba Grain Growers Association agreed to co-operate, and asked all farmers to do so. When invited by the government to suggest four names for the new elevator commission, the Association complied, two of its choices being accepted. But the farm organization was surprised to find its own president, D. W. McCuaig, appointed chairman of the

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commission, something not looked for nor desired. McCuaig himself decided to accept the post. This was a clever move on the government's part to connect the Association directly with the experiment in case trouble came later.

So after the first year's operations Premier Roblin tried to fasten blame for failure on the Manitoba Grain Growers Association, complaining to the legislature:

"The Grain Growers sent a large delegation here, and said they spoke for the farmers of Manitoba. I took the voice of the demagogue for the voice of the public, and consequently I made a mistake. The elevator commission is controlled by the man who was president of the organization which led to the agitation and made me believe the public wanted government-owned elevators. Experience has shown that the farmers as a whole never wanted them, for they do not patronize them."

Premier Roblin was annoyed because his government had put more than one million dollars into elevators and suffered a fairly heavy loss. As to his remarks on "experience," further experience was to prove him wrong in supposing farmers did not want the elevators.

On its side, the Association spoke plainly of bungling political interference with the commission's work. However, even had there been no mistakes, this venture was under a handicap when trying to compete with ordinary elevator companies which enjoyed trading as well as handling profits and in most cases brought in revenue from terminal properties. The Manitoba government elevators operated purely as storage and shipping warehouses, and did not buy grain from farmers. To make head-

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way, the system would have to fill all its houses with grain three or four times a season, and this it most certainly failed to do, for only ninety-seven of its 174 elevators were in use during the first season (1910-11), and some were never operated at all. Then the system was designed for only one main kind of business, known as "special binning," with the consequence that thousands of prospective patrons went elsewhere.

Manitoba farmers had small confidence in a business which they regarded as paralyzed by party politics and of no real advantage to themselves. The province lost more money in 1911-12. Two seasons were all the government would stand, and it said to the organized producers, in effect: "This was your idea; take hold and see what you can do." The producers were ready enough to oblige.

Here was a task, not for the Manitoba Grain Growers Association, but for its commercial ally the Grain Growers Grain Company.

The Company had been in business long enough to realize that without operating elevators it was at a serious disadvantage. Earlier in its career this had not been so apparent, for farmer indignation over abuses in the grain trade and attempts to ruin a farmer company had proved a wonderful aid.

But with the years competition became keener, and the elevator firms began to draw forth their own powerful weapons of attack. Profits from terminals owned by these companies were usually so handsome that they could afford to allow smaller earnings from the country elevator department; so they sought to attract all the grain possible to their country elevators

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in order to have terminal operations take care of each season's balance sheet. Thus farmers were induced by low charges in the country to deliver their grain to the elevators of private corporations, which undoubtedly gained at the expense of commission firms.

No longer could the Grain Growers Grain Company be content with the sympathy of farmers toward its efforts. The service rendered must be improved or else trouble threatened. President Crerar put the situation clearly at the end of 1911:

"The Company and the Grain Growers Association are at present perhaps passing through the most critical stage of their history. The old days of short weights and big spreads in prices have largely disappeared, at least in the general sense in which they were practised ten years ago. The farmer is no longer told that if he is not satisfied he can take his grain home. It was perhaps only to be expected that, once these striking abuses were in a large measure changed into better conditions, the consciousness of the need of continued united effort should wane."

The Company therefore felt that in the Manitoba government's difficulty lay its opportunity. It must acquire elevators. The government only wished to drop an unfortunate experiment as quickly as possible. Both sides were in a mood to bargain.

In the summer of 1912 the Grain Growers Grain Company shareholders agreed to the transaction, and, by lease, operation of the publicly owned elevator system changed hands.

The first year of farmer operations, 1912-13, a loss was recorded, though not nearly so heavy as it had been under government control. Considering that the Company was quite inexperienced in this highly competitive field and that it had inherited a system

TWO ELEVATOR EXPERIMENTS IN MANITOBA

with much duplication at local points, immediate success was scarcely to be expected. Better rental terms were obtained, and each of the next two seasons showed a slight surplus. Then the phenomenal crop of 1915, when the Company handled approximately fifteen million bushels, brought earnings of \$161,000.¹ Western farmers had proved their ability to operate a complicated elevator business.

Before success was assured, outside grain firms offered to take over the system at a higher rental. But the Manitoba government preferred that farmers should keep it if at all possible, and renewed the lease. The Company added elevators of its own, and in time was able to buy outright all the government houses it needed.

Thus in the space of a few years Manitoba had witnessed an important double experiment: one a failure, the other a success. It was an impressive victory for producers' co-operation as against the theory of state management.

The part taken by one man, Partridge, deserves notice. From his brain sprang the idea of a farmer company in the first place, and it succeeded. He was also the chief apostle of publicly-owned elevators, and that scheme failed. But it was Partridge's own company which finally rescued the floundering government elevator system and added another chapter to the story of co-operative progress on the Canadian prairies.

¹ By this time it was also operating a terminal.

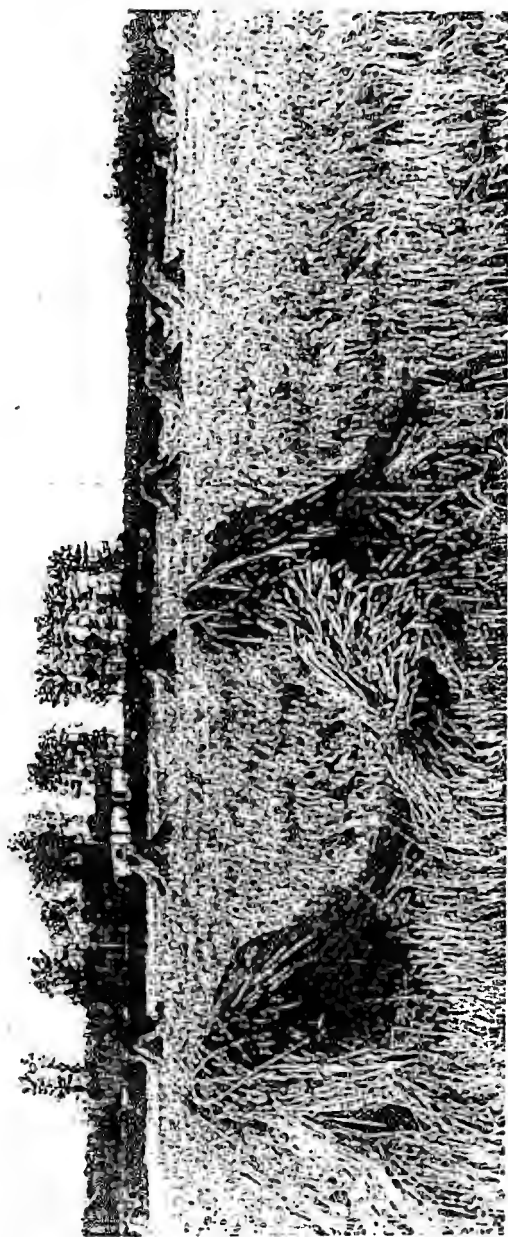
CHAPTER VII

CO-OPERATIVE ELEVATORS ACROSS THE PRAIRIES

GROWERS of Saskatchewan had been just as anxious at first to see public ownership of elevators. Alberta also joined the campaign, though not quite so vigorously, for in that province wheat production still remained relatively unimportant, nor was farmer organization so far advanced. But as negotiations between the producers' representatives and the premiers of all three prairie provinces broke down, each province had to seek a solution independently.

In the course of its own drive for publicly-owned elevators, the Saskatchewan Grain Growers Association presented a petition to the legislature in 1909, requesting a law to acquire or create "government-owned storage facilities by a commission." The house felt that first of all there should be an inquiry commission appointed to examine carefully the proposals which the Association had in mind. Premier Scott's government was agreeable, and this suggestion was adopted unanimously on December 14, just two days before the Manitoba Grain Growers in convention at Brandon heard officially of what was to become a disastrous experiment in the older province.

Manitoba and Saskatchewan thus were off to an even start in point of time. While one plan failed in its original form, the other turned out very well indeed financially, and broke entirely new ground.



HOMESTEAD IN NORTHERN SASKATCHEWAN



CO-OPERATIVE ELEVATORS ACROSS THE PRAIRIES

The inquiry commission went to work at once. Its chairman was a university professor from the Maritimes, Dr. Robert Magill, unlikely to have any bias one way or the other; and serving with him were F. W. Green and George Langley, M.L.A.¹ the former being secretary and the latter another member of the Grain Growers executive. So the Association was well represented on this important inquiry.

The following November the commission sent in its report, having heard over two hundred witnesses. Each scheme of public control, including one from the Grain Growers, was examined and rejected in turn. As for the Manitoba Elevator Act, now in force, the commission thought it was too much made-to-order for any government "that wanted to discredit the whole principle of public ownership."

The solution was not to be found in that direction. Rather it "must be sought along the line of co-operation by the farmers themselves, assisted in the matter of finance by a provincial loan." Such assistance was felt necessary in the early stages of elevator construction.

The commission recommended therefore the setting up of a co-operative company in Saskatchewan to operate elevators and authorized to distribute its profits co-operatively. While a maximum amount of local control should be allowed in organizing this company, its general management should be in the hands of a board of directors independent of government interference.

Premier Walter Scott accepted the proposals, and brought in a bill in February 1911. After a long and

¹ At that time Langley, one of the sturdiest figures in the history of the organized farmers' movement, was also a director of the Grain Growers Grain Company.

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strenuous debate this legislation was passed the following month, providing for creation of the Saskatchewan Co-operative Elevator Company. The main provisions, briefly, were these:

The Company's business was to build or buy elevators (terminals included), to buy and sell grain, and, if it wished, to trade in farm supplies. Shares in parcels of \$50 each were to be sold only to farmers, no one to hold more than twenty shares. A provisional board, all members of the Grain Growers executive, was named, to collect subscriptions and organize locals. Whenever enough shares were sold in a farming district to cover the cost of an elevator there, a local might be formed, and as soon as there were twenty-five locals the Company could start business. The government was prepared to lend up to eighty-five percent of the local's required capital, the loans being secured by a mortgage on all the elevators, so only fifteen percent had to be raised immediately; twenty years were allowed for repayment. Financial control rested in the board.

Already the Grain Growers convention, five hundred strong, meeting at Regina, had approved of the bill's main features. A delegation told the legislature they would sooner have "a co-operative system within reach of their hand" than one in which they had no influence. Certain changes were made in the draft at their request.

The strength of the plan, as foreseen by the Magill commission in its report, lay in "maximum amount of local control consistent with ownership by the whole body of shareholders and management through a central board of directors." Public money was being loaned, not to scattered independent farmers' elevators, but to a system of elevators. Farmers were

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to have full control, and as thousands of them would become investors, their direct personal interest in grain deliveries to the elevators was assured.

Organization work now began, and by June 6, 1911, the required twenty-five locals had been set up. A government grant of \$7000 toward organization expenses was useful in a year and season when farmers found themselves particularly short of funds.

More locals were in existence by the time the first general meeting was called, forty-five sending representatives to Moose Jaw on July 6. A total of 2580 farmers then held an average of slightly over three shares each.

Nine directors were elected by the meeting, and these chose from their number John A. Maharg as president, George Langley as vice-president, and Charles A. Dunning as secretary-treasurer. How close was the relationship between the new company and the Saskatchewan Grain Growers Association may be seen from the fact that all three men were directors of both organizations; Maharg was then president of the Association. A different situation existed in Manitoba, where the Grain Growers Association and the farmers' commercial company were never directly connected.

Grain production was expanding so rapidly in Saskatchewan that the newborn company quickly found itself with an ambitious building program. By the end of the first year's operations co-operative houses numbered forty-six, only six of which had been taken over from other interests. The Grain Growers Grain Company acted as selling agent on the Winnipeg Grain Exchange for its Saskatchewan colleague, and handled grain from that quarter before it possessed elevators of its own. This arrange-

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ment was only temporary, until the younger Company could acquire its own seat on the Exchange and open a commission department at Winnipeg.

Shareholders learned at the first annual meeting of a profit on 1911-12 business. This stimulated growth, and locals sprang up like mushrooms. For the 1912-13 season, the Company handled nearly thirteen million bushels of grain through its 137 elevators, and profits amounted to \$168,000. Farmer shareholders had risen to 13,156 grouped in 192 locals, more than a five-fold increase in two years.

Such were the beginnings of the Saskatchewan Co-operative Elevator Company, for many years to be a powerful and useful force in the farmers' movement, before at last being taken over in its entirety by a later development of that movement.

Alberta lagged behind the other two provinces in taking action, because the elevator problem did not come to a head so early. Pioneer settlers in the land below the Rockies were more occupied with ranching in the south and with mixed farming in the park country farther north. Frost was a factor favoring planting of oats rather than the king of cereals, although winter wheat was adapted to relatively moist districts toward the foothills.

Introduction of the early maturing Marquis variety quickly altered this situation. Even so, the annual wheat crop in Alberta never exceeded ten million bushels until 1911.

Attention to the elevator question would probably have been deferred a few years longer but for the call for action issued by the Manitoba and Saskatchewan Grain Growers Associations. To this appeal

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the westerly province responded. The very first United Farmers of Alberta convention, in January 1909, approved the campaign for public ownership. When the three Western premiers made clear that each province would have to find its own solution, the U.F.A. began to study the matter more carefully, appointing a committee for this purpose.

Alberta's problem then was less one of providing and controlling country elevator storage space in the interest of producers than of clearing the way for a westerly export outlet over the mountains. Existing grain laws were devised only for an easterly movement, but now the Panama Canal was being dug: Alberta was vastly interested in that. There were many needs—such as securing an interior government terminal elevator and amendment of the Manitoba Grain Act and Inspection Act—which the U.F.A. committee felt should come first. Farmer spokesmen were content for a while to watch the elevator schemes in Manitoba and Saskatchewan before taking action.

But the rapid expansion of wheat acreage from 1911 on made a decision necessary. In less than two years Alberta growers had seen enough of the experiment in the neighboring province to convince them that, broadly, it would suit them as well. Their government was also favorable, and sat down with the United Farmers directors to work out details of a scheme previously endorsed in convention. At the 1913 session of the Alberta legislature an act was passed incorporating the Alberta Farmers Co-operative Elevator Company.

This was much the same as the Saskatchewan arrangement. By a coincidence, the number of locals formed in the first few months of organization and

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represented at the Calgary general meeting in August was exactly the same as at the corresponding meeting of the Saskatchewan Co-operative, that is, forty-six. Shareholders confirmed their provisional executive in office: W. J. Tregillus, president, E. Carswell, vice-president, and E. J. Fream, secretary-treasurer, all U.F.A. leaders.

The secretary happened also to be a director of the Grain Growers Grain Company, and this personal connection was a factor in the close and friendly relations between the two farmer companies which existed from the beginning until their eventual formal union. The Grain Growers Grain Company, as a matter of fact, helped the other by loans as well as by acting as its selling agent on the Winnipeg market.

Because of much smaller grain production in Alberta as compared with Saskatchewan, the last of the trio of prairie co-operative elevator enterprises grew more slowly. No doubt unwisely, its management decided to enter other lines of business—trading in livestock, flour, feed, coal, lumber, fenceposts, wire, bindertwine, hay, fruit, salt, etc.—before the Company had got properly established in the handling of grain.

Fortunately, however, difficulties caused by such premature ventures were largely smoothed over by a gross profit of \$282,000 coming out of the record crop of 1915. The support given by the more experienced and more firmly entrenched Grain Growers Grain Company was responsible to a still greater extent for the progress made in Alberta.

CHAPTER VIII

THE TERMINAL QUESTION

IN 1908 and 1909, when the Westerner producer associations campaigned for provincial public ownership of country elevators, they wanted at the same time to see the federal government take over all terminals, those massive concrete structures situated primarily at the head of the Great Lakes. Prices in the country, they argued, were largely made by the quotations on grain in store at the strategic terminal points where exportable grain was concentrated.

Much earlier in grain trade history the railways had built a few terminal warehouses, but after 1904 most new plants were in the hands of private grain companies, which thus controlled both the country elevators and terminals of Canada. The farmers eventually broke that grip on the country elevators. They did not rest there.

Apart from the threat to farmer companies in this ownership of the big terminals by private interests, the growers were suspicious for other reasons. Lower grades of grain, they believed, were frequently mixed with higher grades, like adding water to milk. Higher grades might be diluted, and lower grades might be "promoted" by putting in just enough first quality grain to meet the minimum requirements of the next grade up the scale. If this were true, then the average quality of the grades exported from the terminals was lower than that on which the farmers' grain was

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originally sold. Then, too, it was claimed that the terminals did not clean out dockage properly, and gained money on weights as well as lowering the quality of inspected grain. Thirdly, the farmers suspected that grain upon which they were paying storage in terminals was sometimes loaned to lake shippers.

The organized farmers asked for complete public ownership of the terminals, and accordingly approached the Dominion government. E. A. Partridge, as one of a group of Westerners attending a conference at Ottawa in the spring of 1908, presented the argument. The Laurier cabinet was impressed to the extent of undertaking to tighten up the inspection system at terminal points, but it was hardly willing to go to the length of taking over all terminals from belts to bins.

The government acted promptly as it had promised, putting through amending laws which required inspection officials to weigh all grain in terminal storage each August, so that the figures could be checked with the warehouse commissioner's records at Winnipeg.

But at the close of navigation in December 1909 the head inspector at Fort William, suspecting irregularities on the part of certain operators, suddenly made a special check which caught them by surprise. As a result of his raid three companies were taken to court, found guilty of making false returns, and fined heavily.

Out on the prairies the Grain Growers Associations were highly pleased with this evidence which tended to bear out their accusations. But they were less inclined than ever to be satisfied with Ottawa's attempt to effect a cure merely through supervision. So long

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as sinners had any chance to sin, they felt, there would be no lasting reform.

Another farm delegation went east the following January (1910). This time support came from spokesmen of Canadian millers, who were anxious that grain should be delivered to consumers in the same condition it had come from the grower, as was not now the case.

For the remainder of his government's life, Sir Wilfrid Laurier was never allowed to forget the question. When the great chieftain toured the West in the summer of 1910, he agreed that farmers had a grievance in the very fact that terminal owners were also interested in buying wheat at country points, and said the government was still looking for a remedy.

Then in December occurred an incident known in political history as the Siege of Ottawa. More than eight hundred farmers, representative of organizations across Canada, invaded the national capital. The grain growers were in the majority with five hundred men, having travelled in a special train in which they held their councils of war as they rolled along the north shore of Lake Superior. Upon their arrival East and West met to draw up a common programme, and found they were in agreement on everything that mattered.

This battalion marched up to Parliament Hill four abreast, entered the House of Commons chamber, and took possession of the floor and galleries. Parliament was then in session, and most of the members took a seat where they could—their regular places were likely to be appropriated by visitors—in order to listen. Ottawa had never known a deputation of such size.

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D. W. McCuaig, president of the Canadian Council of Agriculture, which had organized this spectacular delegation, introduced twenty speakers on various subjects. The chief of these was tariff reform, organized Canadian agriculture standing for freer trade relations both with the United States and Great Britain. The matter of terminals was brought up in a resolution spoken to by three Westerners, declaring private ownership "detrimental to all parties concerned from the producer to the consumer," and once more urging the federal government to take them over.

The Siege of Ottawa brought out the ability of farmers to marshall their forces, to reach the ears of authority, and to present clearly their views on problems affecting agriculture. The terminal question, one of several presented that winter day, has special significance because presently Western farmers took steps to deal with it more directly.

The Laurier government remained reluctant to take such a drastic step as advised in the Grain Growers' resolution. A Senate bill introduced in January contained the principle of strict supervision rather than direct ownership of terminals. W. M. Martin of Regina moved a resolution from the government side of the House of Commons, condemning improper mixing of grades. Only one Western Liberal backed the proposals of the Grain Growers made at the Siege of Ottawa and previously.

Seeing this attitude, the Conservative opposition decided to bid for Western support by coming out as friends of public ownership. Dr. Michael Clark of Red Deer, one of the finest orators of his generation, denounced them as hurrying the country into

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socialism. The Albertan's alarm was shared by nearly all his fellow Liberals.

Upon complaints that the session was too far gone to allow proper study by the Commons of the legislation affecting terminals, it was withdrawn.

There followed the famous reciprocity election campaign of 1911. Conservative leader R. L. Borden spoke out for government ownership of terminals and for several other measures urged by Western farmers; but on the subject dearest to them of all, reciprocal trade, he had nothing for them. This explains why a large section of the West failed to swing with the country as a whole when the Laurier government fell from power in September.

The new government disappointed grain growers on the terminal question. In a bill providing for control, almost as in the measure drafted by its predecessor in office, public ownership was left in the background.

A group of men from the Grain Growers Associations haunted the premises while the bill was on its stormy course. They tried unsuccessfully to convert to outright public ownership the minister in charge, Hon. George Foster. He was going with them at some distance as it was, however, for in the bill was provision for a Board of Grain Commissioners to supervise the trade; this had been urged by the Grain Growers. Further, it was the government's intention to buy one or two terminals as an experiment. (The most important outcome of this plan was the opening of three large interior terminals during the 1914-15 season, at Moose Jaw, Saskatoon and Calgary.)

Persistence of the Grain Growers was rewarded when some unpopular clauses in the bill were finally dropped. Covering all aspects of the grain trade,

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it became law April 1, 1912, and, superseding the former Manitoba Grain Act, being known as the Canada Grain Act.

This statute was largely the outcome of study and energetic lobbying by organized farmers of the West. It did not go so far as they would have liked, but it is a fact that dissatisfaction tended to die down after the newly-formed Board of Grain Commissioners had been in harness a little while. The Board quickly won general confidence. Its chairman, Dr. Robert Magill, was the same man who had headed that momentous inquiry in Saskatchewan before establishment of the first farmer co-operative elevator company.

Then, too, there ceased to be any private terminal monopoly as soon as a few Dominion government plants were ready to offer farmers an alternative.

When it was seen that all terminals were not to become the property of the Canadian people, farm organizations took direct action at last. Their success showed once again that self-help promised more to farmers than dependence upon governments.

Fittingly, the Grain Growers Grain Company took the field as pioneer, acquiring (by lease) a terminal elevator at Fort William. This was in the early fall of 1912. Then it built a "hospital" elevator of its own for the treatment of tough, damp, rejected or otherwise damaged grain, and carried on all the commercial mixing that the law allowed. The Company did very well, and its profits were enlarged out of cleaning operations, including "shading" dockage in a way which, when practised by private companies, used to enrage the growers.

THE TERMINAL QUESTION

This was not the first time that farmers in business adapted themselves quite readily to trade practices which from the outside they had condemned. Experience taught them to modify their views. "Once again," comments an authority¹ on these matters, "it was apparent that the Grain Growers in business regarded the established practices of the grain trade in a somewhat different light from the Grain Growers in convention."

But there was this difference—while the consumer still received the same quality of grain as before, the producer obtained a greater share of the earnings which previously went into the pockets of others.

By 1912 the organized grain producers had accomplished a good deal in the realm of marketing. Their interests as farmers were protected to a greater extent than ever before through passage of the Canada Grain Act. They had begun to operate country elevators in Manitoba and Saskatchewan and were preparing to do the same in Alberta. And they had taken the first step to compete with private interests in the operation of terminals.

¹ H. S. Patton, *Grain Growers' Co-operation in Western Canada*.

CHAPTER IX

EXPANSION AND AMALGAMATION

OF the three farmer companies carrying on business in Western Canada just before the War, the Grain Growers Grain Company was the oldest and strongest. It had shareholders in all prairie provinces. Unlike the co-operative elevator systems it was not organized by locals with elected delegates voting at annual meetings, but was incorporated under Manitoba law as a joint stock company. By a special act of Parliament in May 1911 it succeeded finally in obtaining a federal charter as a co-operative enterprise with very wide powers.

Holding this charter, the Grain Growers Grain Company began to expand. Its ambition was to help the farmer reduce his production costs as well as improve his marketing returns. So expansion took place in both these directions.

The Manitoba government's country elevator chain and a C.P.R. terminal at Fort William already had been taken over on lease, and a "hospital" elevator bought. Turning next to British Columbia, the Company acquired a small elevator at New Westminster, near the mouth of the Fraser River, with the immediate purpose of supplying sacked grain and feed from Alberta for the Pacific Coast market, and with the long-range view of being ready to share in the western movement of Alberta wheat which people

EXPANSION AND AMALGAMATION

expected would follow completion of the Panama Canal.

Then the huge crop of 1915, such a boon to all three farmer systems, enabled the Grain Growers Grain Company to build more houses in Manitoba. The programme was extended into the neighboring province, construction being limited to points not already served by the Saskatchewan Co-operative Elevator Company. By the middle of the War it had sixty elevators of its own, about half of them in Saskatchewan.

Meanwhile a subsidiary concern, the Grain Growers Export Company, had been formed. Inexperienced in a difficult and highly competitive business, this enterprise soon dropped \$200,000, and the losses had to be made up out of the parent company's reserves. It was reorganized, and thereafter earned profits.

The export business was further widened by the setting up of an agency in the United States to dip into the stream of Canadian grain which flowed overseas from American ports. When the United States entered the War this second subsidiary was called upon to look after purchases and shipping of oats required by the Allies. The Grain Growers Grain Company, which received only its out-of-pocket expenses, had the satisfaction of filling a responsible role such as it could scarcely have dreamed of ten years before when it was struggling for existence on the doorstep of the Winnipeg Grain Exchange. In the crop season 1917-18 the subsidiary bought and shipped 120 million bushels of oats for the Allies.

The modest venture launched under such difficulties by E. A. Partridge and his equally stout-hearted

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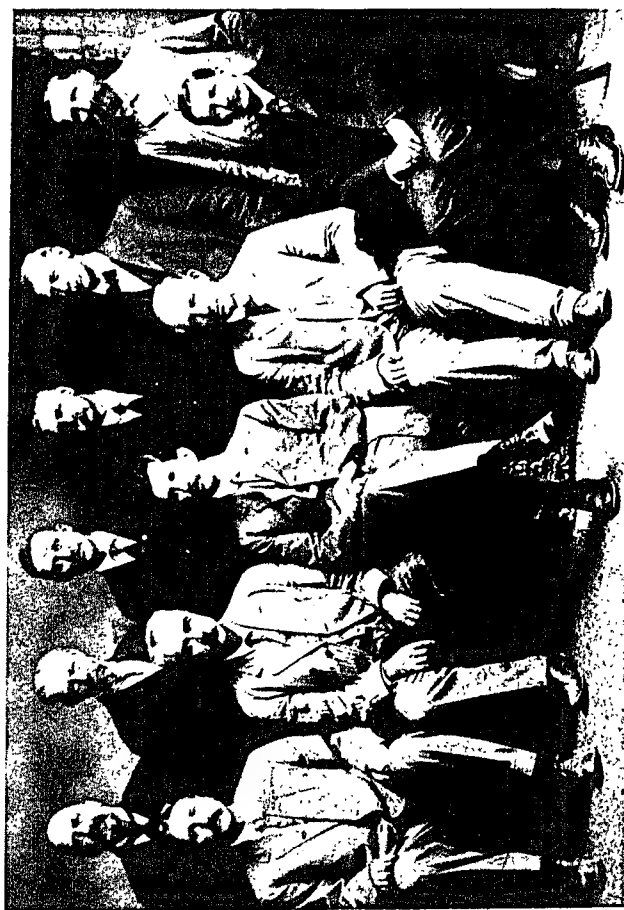
colleagues had indeed lived to see better days—though the days which brought its greatest prosperity were when the world was at war. In its first ten years the Grain Growers Grain Company had handled over 205 million bushels of producers' grain and earned profits of \$1,488,000, of which \$550,000 had been paid in dividends to farmer shareholders. Its capital position had grown stronger. It could now claim to be the largest grain concern in Canada.

Besides the Company's extensive grain operations, the primary reason for its existence, other ways were sought to be of benefit to the rural population of Western Canada. In an attempt to provide the farmer with cheaper supplies, to help him when he bought as well as when he sold, the Grain Growers Grain Company engaged in a wide variety of enterprises. These dated from 1912, after the federal charter was granted, a co-operative supply department being established in that year.

Many kinds of goods were handled in bulk, including coal, flour, apples, bindertwine, fenceposts, wire and farm machinery. These were shipped either to individual farmer buyers or to Grain Growers' locals, at the lowest possible cash prices.

Nor did the Company stop there. On the eve of the War it tried the lumber business, not as a middleman as was the case with its other supply services, but as a producer catering directly to farmers' building needs. Timber limits were acquired in British Columbia, and after a lapse of three years a modern sawmill was built. For several reasons, the experiment was unprofitable, but not till 1925 was it given up.

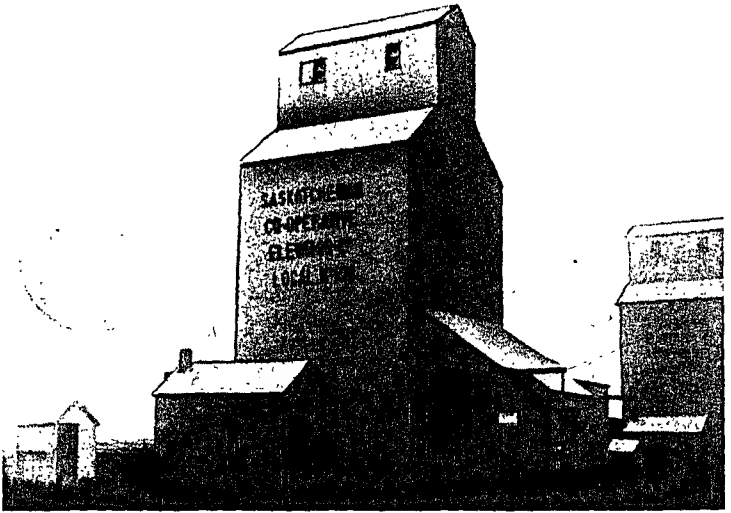
Another important development in the War period was the formation of a livestock department. The



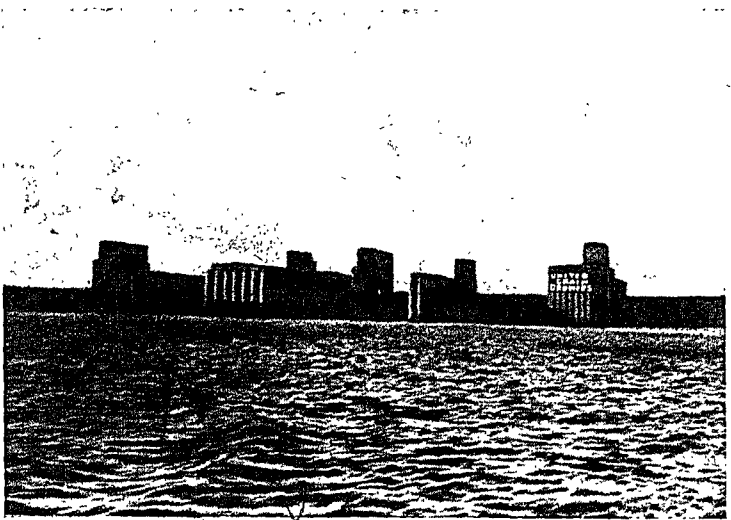
DIRECTORS AND OFFICERS OF THE GRAIN GROWERS GRAIN COMPANY, 1910-11

Back row—Geo. Langley, M.L.A., Maymont, Sask.; T. W. Knowles, Emerson, Man.; N. E. Baumunk, Dundurn, Sask.; David Railton, Sintaluta, Sask.; E. A. Partridge, Sintaluta, Sask.; A. von Mielecki, Calgary, Alta.

Front row—D. K. Mills, secretary-treasurer; John Kennedy, vice-president; T. A. Cramer, president; Roderick McKenzie, second vice-president; A. M. Blackburn, manager.



ONE OF THE EARLIEST FARMER-OWNED ELEVATORS



SECTION OF THE PORT ARTHUR WATERFRONT

EXPANSION AND AMALGAMATION

Company made a start here by entering the St. Boniface stockyards in order to receive co-operative shipments of cattle from farmers or their organizations. This was among the more fortunate of the many kinds of business in which the Grain Growers Grain Company became involved. The average shareholder must have found difficulty in keeping abreast with his Company's operations, which ranged from grain (a complicated trade in itself) to farm implements, and from livestock to lumber.

Each supply scheme was financed by the parent organization as it could raise money out of its own resources, never by borrowing. At the same time it was helping to finance similar operations by the Alberta Farmers Co-operative Elevator Company.

Such was the elaborate commercial network of the oldest farmers' company about the middle of the War years. Of the other two, the Alberta Co-operative had just got on its feet, and while doing more kinds of business was not yet so soundly established as the Saskatchewan company. By 1916 the latter had 258 elevators and over 18,000 shareholders, and was unable to keep pace with the demand for still more elevators. It was thinking seriously of building a terminal of its own at the head of the Lakes.

As the three companies developed independently side by side, men asked themselves whether they could not be brought together to form one powerful structure. Otherwise there was danger that overlapping and consequent rivalry, so far mainly avoided, might creep in to damage the whole co-operative movement. Already the Grain Growers Grain Company selling organization was actually competing

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with that of the Saskatchewan Co-operative on the Winnipeg market.

Farm leaders pondered suggestions to combine the selling and buying power of many thousand prairie grain growers.

"We must not ignore the possibility of misunderstanding, jealousy and difference of opinion arising," T. A. Crerar said in his presidential address at the Grain Growers Grain Company 1914 annual meeting. "I say it boldly; that it is the business of the men connected more closely with the guiding of the destinies of these concerns, to build and mould them on harmonious lines. The interests of the farmers of Western Canada, individually, or otherwise, are in all essentials the same. They must be brought more closely together and must not be permitted to drift apart.

"It is not too much to conceive of one great central organization purchasing the supplies required by tens of thousands of our farmers, and of the creation of the proper agencies and the means for distributing these, down to the individual unit. The same applies to the sale of produce. Such an organization, welded together for a common purpose, could not help but have a powerful influence on the moulding of public opinion that will find its reflection in the character of our laws."

Other men shared this ambition, but even today it remains largely unrealized.

First overtures for union came from the Grain Growers Grain Company, which had no desire to absorb the younger companies but rather to form a new organization combining the best co-operative features of each. It was felt, for example, that the system in Saskatchewan and Alberta of locals and

EXPANSION AND AMALGAMATION

representation by delegates at annual meetings did more to stimulate the average farmer's interest and sense of responsibility than in a business which lacked local units and only kept in touch with its shareholders through the mails.

The annual meeting late in 1915 unanimously approved of the federation proposal. In Alberta, where relations between the two companies had been close all along, a similar resolution was passed by delegates assembling at Calgary.

The position in Saskatchewan was somewhat different. Doing business in a province which produced as much wheat as the other two together, the flourishing young co-operative felt it had room enough to expand by itself, even if another farmer company were working alongside. But union might offer mutual advantage in the export trade, which it was now considering. The Saskatchewan Co-operative delegates thought well enough of the principle of federation, but felt their Company ought not to commit itself without submitting all details to a general meeting.

Early in 1916 representatives of the three commercial concerns and the three farmers' associations met at Regina in the head office building of the Saskatchewan Co-operative Elevator Company. The plan discussed was to form a central organization owned jointly by the present companies (as later was done by the provincial Wheat Pools). The federal charter of the Grain Growers Grain Company gave it all the powers necessary for such an organization, which was to embrace both marketing and supplies. So this company could be converted into the necessary central agency and its Manitoba shareholders

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organized into a provincial company with locals, the same way as in the other prairie provinces.

Saskatchewan elevator officials approved of the main idea but differed on important details: they wanted to keep control of their own sales policy. Of the six bodies represented at the conference, only the Saskatchewan Grain Growers agreed with this attitude. That the latter should agree was natural, because the Association and the elevator company were guided largely by the same individuals; that is, they had interlocking directorates. Saskatchewan's independent attitude wrecked the plan.

Nevertheless the remaining parties decided to go ahead. A new basis for limited union was drawn up, the way being left open for Saskatchewan to enter later if it felt inclined. The convenient federal charter of the Grain Growers Grain Company would be kept, the plan being to change its name and adopt the administration system of the Alberta partner.

Shareholders of both companies enthusiastically approved the plan of union. Charter amendments were secured from Parliament, and on September 1, 1917, the day after a financial year closed for both, the Grain Growers Grain Company and the Alberta Farmers Co-operative Elevator Company amalgamated, under the name of United Grain Growers Limited.

T. A. Crerar became president of this enlarged enterprise. A couple of months later he entered politics, going straight to the portfolio of agriculture in the Borden Union government of 1917. That left main direction of United Grain Growers affairs to the first vice-president and general manager, C. Rice-Jones, who had been head of the Alberta company. Later another Albertan, R. S. Law, became president.

EXPANSION AND AMALGAMATION

Instead of three, there were now two big farmer companies in the West, both highly centralized but democratically controlled. The extent to which the Saskatchewan company had grown in half-a-dozen years may be gathered from the fact that even after this merger it kept close at the heels of the United Grain Growers in assets and volume of business handled. Each operated about three hundred country elevators. Their strength was fairly even.

Whereas the Grain Growers Grain Company had been content to lease a terminal to start with, the Saskatchewan Co-operative, when ready to follow into this field, built and paid for one of its own. This plant, on the Port Arthur waterfront, was opened early in 1918. Two capacious annexes and a "hospital" for treating damaged grain were added at intervals, and the leasing of another terminal brought the Company's total storage space at the head of the Lakes to over fifteen million bushels in five years. A new million-bushel transfer elevator at Buffalo, on the American shore of Lake Erie, came later.

Using not only the services but the name of a prominent Winnipeg grain man, James Stewart (former head of the Canada Wheat Board of 1919-20), Saskatchewan farmers engaged in the export trade after the War. The system of subsidiaries through which they did so was rather complicated. The "king-pin" in this arrangement was known as the James Stewart Grain Corporation of New York. A stranger hearing such a name for the first time would hardly connect it with the grain growers' co-operative movement; yet it was, and farmers out on the prairies drew dividends from it, when it was able to pay any. Farmers had picked up a remarkable amount of the technique of ordinary "soulless corporations."

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The "Co-op," as everyone called it, kept strictly to selling grain, and therein differed from the United Grain Growers, which had inherited two complex supply businesses and continued to expand them. In Saskatchewan this kind of co-operative trading was left to the Grain Growers Association, which in 1918 had taken responsibility through a special department for supplying building materials, coal, twine, machinery, groceries, and so on, to its locals. Dividends were distributed on a patronage plan. This was an experiment in consumers' co-operation which, as in Alberta and Manitoba, had its ups-and-downs.

As to the men connected with the Saskatchewan company in these prosperous years, J. A. Maharg was president for ten years, leaving to become provincial minister of agriculture in 1921. George Langley, himself a Saskatchewan cabinet minister, succeeded Maharg for a time. C. A. Dunning, the original general manager, rose first to be treasurer of his province (1916), later premier, and later still Canadian minister of finance; his place with the Company was taken by F. W. Riddell.

It is interesting to note the number of Westerners attaining high public office who had their training in the old Grain Growers movement, or with its commercial allies, or both. Besides Maharg, Langley and Dunning there was T. A. Crerar of the pioneer farmers' company, who after being federal minister of agriculture under Sir Robert Borden led the Progressive party—a post-war political uprising on the part of Western farmers—until that movement melted away, and then won cabinet rank in Liberal governments. And, of course, the sturdiest veteran of all, Motherwell of Abernethy, first president of the Territorial Grain Growers, minister of agriculture provincially and then federally, his outlook always that of the man on the land.

CHAPTER X

CANADA'S FIRST WHEAT BOARD

THE matter next to be reviewed, although it formed no part of the agricultural movement, led to a highly important development later, and so has its place here. This was the marketing control exercised by the Dominion government during the latter part of the War and immediately after.

War conditions sent the wheat market out of control, so that it leaped about like an irresponsible colt. In the interests of their allies, both Canada and the United States took steps to curb the creature. Cash wheat had already touched three dollars a bushel when the government appointed a Board of Grain Supervisors in June 1917, giving it authority to fix a guaranteed price for wheat consumed at home and sold abroad. All futures trading in wheat on the exchanges ceased, and the Board was almost supreme. It set the maximum Fort William price of One Northern wheat at \$2.21 a bushel for the 1917 crop, and the other grades proportionately. The corresponding maximum price for the 1918 crop was fixed at \$2.24½.

Apart from fixing a price guaranteed by the federal government, this board regulated the movement of the crop between Canadian millers and the Wheat Export Company. The latter, presided over by James Stewart, was purchasing agent for Britain and

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her allies at war, and therefore represented consuming rather than producers' interests. It was the task of the Board of Grain Supervisors to set a reasonable price for wheat mutually satisfactory to Western farmers and the British government. In this way the crops of 1917 and 1918 were handled.

After the Armistice the Allies' organized food-purchasing was lessened only temporarily, being renewed in the summer of 1919. Discussions took place to decide what Canadian policy should be. A plan brought forward by the farmers' national organization, the Canadian Council of Agriculture, was accepted almost in its entirety, and the government established a new experiment in control, the Canada Wheat Board.

Whereas the Board of Grain Supervisors had not gone beyond regulating trade and fixing prices, to its successor was entrusted the larger assignment of marketing the entire Canadian wheat crop. The Canada Wheat Board was a government monopoly, replacing all open market trading. In selling, producers had no option but to deliver their wheat to the Board, which controlled domestic and foreign trade, including flour exports.

The point which interested Westerners most in this revolutionary departure was the method of paying growers. They were to have an initial amount upon delivery, receiving certificates entitling them to share in any future surplus from the Board's operations. This procedure had been followed by the Australian Wheat Board, so was not entirely new.

In a word, Canada had for the first time a compulsory pool, under a government agency.

James Stewart, who was appointed chairman, had with him F. W. Riddell of the Saskatchewan Co-

CANADA'S FIRST WHEAT BOARD

operative Elevator Company as vice-chairman (both had been on the Board of Grain Supervisors), and ten other associates, two of whom represented the organized farmers, three the millers, four the private grain trade, and one organized labor. H. W. Wood of Alberta, president of the Canadian Council of Agriculture, was one of the farmer members.

The Canada Wheat Board set to work in August 1919. The initial payment to producers was \$2.15 a bushel on the One Northern grade (in store Fort William). Advances on other grades were set proportionately. No matter when a farmer hauled his wheat to town, he got exactly the same payment as his neighbor for the same grade; the only differential was the freight rate at point of delivery.

At first perhaps a majority of farmers did not care for this arrangement when put into practice. Being human, they disliked getting less for their wheat than the price the American grower seemed able to secure. South of the international line the United States government was guaranteeing a minimum price of \$2.26 compared with the Wheat Board's \$2.15 initial payment, and the open market was ranging well above both. Many of them did not place a great deal of faith in the Board's certificates for further payment in the future, trading them off to speculators for trifling amounts.

However, the Board carried out its functions well, and distributed what was termed an interim payment the following July. Marketing of the 1919 crop having been completed, a final payment in October 1920 brought the total return to producers up to \$2.63 a bushel (One Northern at Fort William), after deducting operating expenses. So each bushel



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of those participation certificates turned out to be worth forty-eight cents.

Feeling in the country now turned distinctly in favor of the Wheat Board, and news that the government intended to discontinue it was heard with dismay. The argument for going back to the old trading system was that European countries were giving up their emergency practice of government wheat buying, so that the need for compulsory marketing control measures no longer existed. In this view the grain trade, millers and consumers were generally agreed. "The market should be left to find its natural level," they declared.

The Dominion government was strengthened in its inclination not to do anything about the 1920 crop by the fact that the United States had already withdrawn its own control plan.

In July Sir George Foster, minister of trade and commerce, announced that as the various factors which had influenced the government in forming the Canada Wheat Board had disappeared, marketing of the 1920 crop would "revert to the usual and normal methods of pre-War times."

Traders, including the farmer companies themselves, resumed their deals in wheat futures, and the "usual and normal" prevailed for the next four years, by the end of which period Western agriculture was groaning in despair. With all restraints removed, prices slid swiftly until they paused not far above the dollar mark, and thereafter subsided more gently to a level below it.

One might submit that farmers had no great cause for complaint after the five years of extremely high prices. But costs of everything they had to buy to carry on their work had soared too. Moreover, they

CANADA'S FIRST WHEAT BOARD

had responded to the urgent national call for more production, going heavily into debt to do so. They bought and broke more land, and got more machinery, all at inflated prices. Poor crops in 1918 and 1919 on the prairies did much to neutralize the benefit of the greater value of a bushel of wheat.

Between 1920 and 1923 Westerners fought an energetic campaign for re-establishment of the Canada Wheat Board. Under its regime they had for the first time enjoyed "orderly marketing"—a phrase much used from now on—and, liking the taste, they craved for more of that diet.

But why, it may be asked, were prairie wheat growers not content to leave the marketing system alone and continue to operate their own co-operative agencies within it? After all, they had met with conspicuous success. By the year after the War their two great companies had between them 57,000 farmer shareholders and operated some 650 country elevators, offering most effective competition to the private trade at nearly half the shipping points in the West. Both these companies had paid big dividends, while steadily building up substantial reserves: financially, they had done well.

Moreover, the United Grain Growers and Saskatchewan Co-operative Elevator Company had conferred benefits on growers generally in addition to returning profits directly to those thousands who were shareholders. The companies offered them facilities at each stage of the marketing process, thus greatly lessening their dependence on private middlemen, and at the same time helping to improve marketing services. The farmer companies were also

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bulwarks of the whole organized agricultural movement in the West, providing annual grants with which it could carry on more effectively its ceaseless efforts to obtain provincial and federal legislation for the improvement of farming conditions.

Nevertheless, many farmers were becoming somewhat dissatisfied with their companies' position in spite of what had been achieved. They noticed shareholders accepting better grades or other inducements from opposition interests, while continuing to draw dividends made possible by the loyal supporter. It might be assumed that the private trade made up for such losses elsewhere, probably at the expense of producers who hauled grain to points not yet served by a co-operative elevator. Both companies suffered a substantial loss of business each year through this form of competition.

Nor was criticism confined to the actions of scattered farmer shareholders. The ready way in which the co-operatives adapted themselves to prevailing trade practices aroused fears (which some of their leaders shared) that they were losing the service motive and rapidly becoming big corporations with no particular interest in life beyond the piling up of profits. Those who were less alarmed by the prospect of farmer companies making too much money could argue that profits thus earned in the grain business went back to farmers; and if all farmers did not benefit, they could readily do so by taking shares likewise. Still, a growing body of opinion held that concentration on profits was holding back the co-operative cause on the plains, that it would be better to seek further reforms in grain marketing rather than be content to engage in an imperfect system. Growers might be losing more in one direction than they were gaining in another.

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The other principal complaint in the country against the two companies was that they paid dividends to their shareholders but not to their customers as such. This was felt to be an evasion of co-operative principles. While most shareholders were also patrons, they could not or did not all give support to the same extent, and there were also farmers who although not belonging to either company helped it with grain deliveries.

Now the question of patronage dividends was an old one. We have seen how the Grain Growers Grain Company got into serious trouble at the beginning of its career when it attempted this practice in the face of Grain Exchange rules. When it secured its federal charter the right was granted to pay back some of its surplus earnings to shareholders in any way it saw fit; both the Saskatchewan and Alberta co-operatives when formed were given the same power. But although they had this legal right, the farmer companies were members of the Exchange, which had never shown any definite inclination to remove the long-standing restriction in the matter of "splitting commissions." It was also urged by some officials that bookkeeping difficulties—how to treat all classes of patronage with equal fairness—stood in the way.

Finally, the financial success of the farmer grain companies might not mean so very much to the man who, because of debt and depressed prices, was losing his equity in his farm.


The situation just after the War, then, was that the organized grain growers' movement, or at least a considerable section, was harboring some doubts as to the complete utility of the companies in which it had taken so much pride. Weaknesses in their structure

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were being pointed out and changes in policy suggested. But going beyond these things, an attitude was taking form that merely to operate elevator companies, however efficient, was not enough. In this new light they were regarded as a signpost along the dusty road to better times on the prairie farm, but by no means the end of the journey.

There was no thought among the critics of abolishing their present commercial agencies. Rather, they hoped that under an improved grain marketing system these agencies would flourish and ever be their valued servants.

What was to be the next objective? In the short life of the Canada Wheat Board is found the clue: centralized marketing.



CHAPTER XI

THE FIRST DRIVE FOR MARKETING CONTROL

IN the story of farm co-operation in Western Canada, episodes keep appearing in which self-help has only been tried as a last resort. That is to say, the organized farmers turned to the task of carrying out a project for themselves only after trying vainly to have governments do it for them. Such episodes do not seem to speak well for farmers' faith in co-operative effort; but the problems confronting them at these times were usually of such formidable dimensions that it was understandable they should deem only the power of governments would serve. However, since governments, whether unwilling or unable, failed to respond, the men who wanted certain action taken were left with the choice of seeing the thing remain undone or else striking out boldly for themselves. In the long run, invariably they chose the latter course.

Previous cases in point were the country elevator question in Manitoba, and the controversy about terminals. Now came a third and bigger problem still.

Several years elapsed between the opening of the grain growers' campaign for marketing control and its conclusion in the emergence of the Western Canadian Wheat Pools.

The campaign as originally planned had as its object a rebirth of the Canada Wheat Board. The



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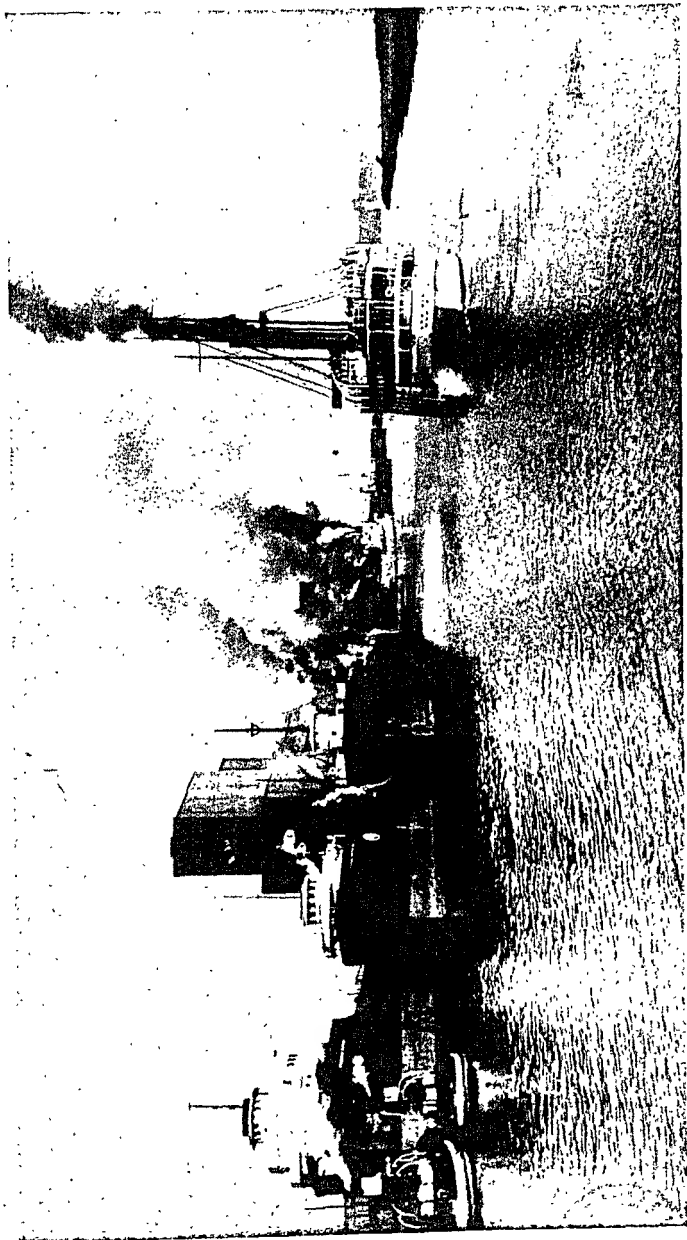
central idea of the Wheat Board had been the pooling of grain. Every farmer with the same freight rate and the same grain got an equal return for his product in the season when it was sold. That was compulsory pooling, under state direction.

News of another kind of pooling was beginning to reach the West, coming up from the United States. This was commodity pooling by the growers themselves, who formed co-operative associations for the purpose of selling fruit, tobacco, cotton, livestock, wool, etc., and sharing the proceeds. Its chief strongholds were California and the tobacco and cotton states.

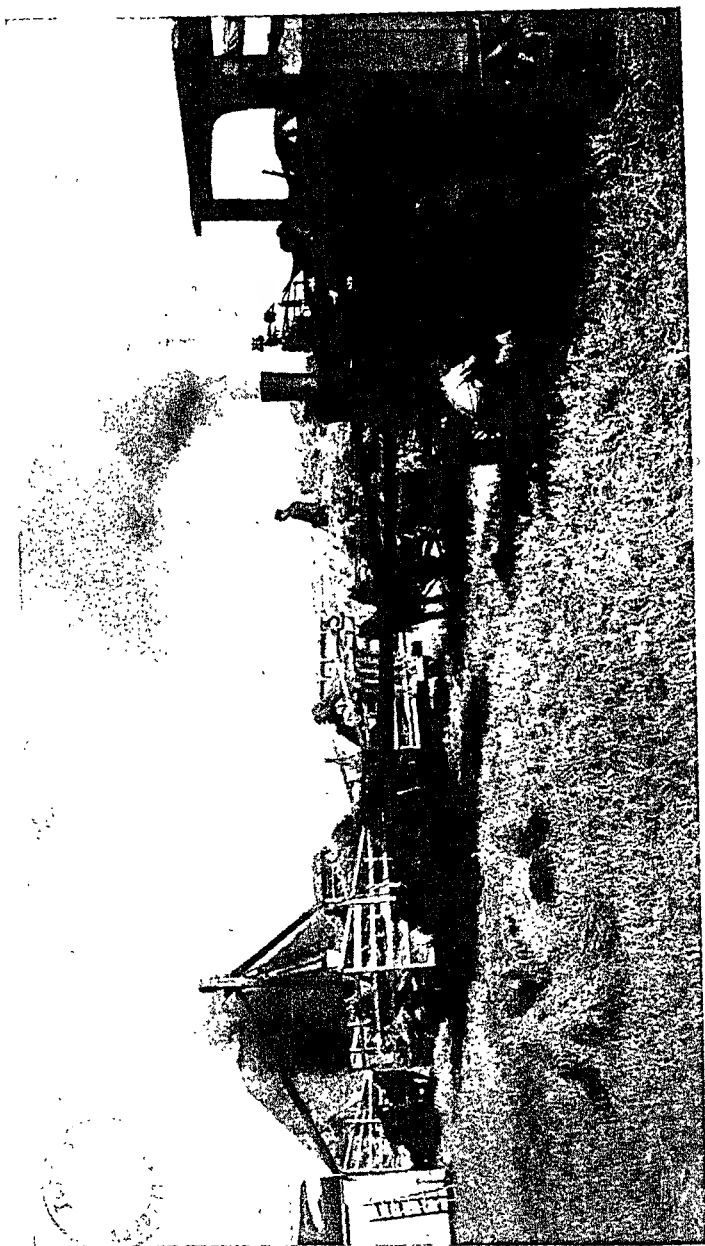
Pooling has been described as "an arrangement whereby the products of similar grade and quality belonging to different growers are mingled and sold together during definite periods so that the price received by the grower is based upon the average price received during the period."

This was the method employed both by the Canada Wheat Board during 1919-20 and the American farm associations, their real difference being the difference between compulsory state marketing and voluntary co-operative marketing. Under the plan in vogue in the United States, a producer could join a co-operative or not as he pleased; once he did join, he signed a contract to deliver his produce to the association, under penalty if he failed to do so.

Yet the pooling system was by no means an American invention. Its home was Denmark, where agricultural co-operation has flourished since the latter part of the nineteenth century. Danish dairy farmers had long been in the habit of binding themselves to deliver their whole output of milk to their creamery; penalties were enforced in the rare cases necessary.



THE HARBOUR, FORT WILLIAM



THRESHING SCENE IN THE EARLY 'TWENTIES

THE FIRST DRIVE FOR MARKETING CONTROL

A writer¹ on the co-operative movement in many lands observes that Danish people have been practising co-operation in an atmosphere co-operative from the schools upward, and that "we have yet to find the Dane who on reaching Canada has lost, through excess of co-operation, the spirit of self-reliance and enterprise."

A little while yet was required for the seed of the new idea to become thoroughly implanted in the minds of grain growers on the Western plains. As it germinated, conviction came to thousands that this was a more advanced form of producer co-operation than anything they had known. The time had not quite arrived to undertake the experiment, however.

As matters stood, the West had just witnessed a successful trial of collective marketing, and desired its continuation. It seemed a better way of doing business.

As Winnipeg wheat prices skidded from \$2.78 in September 1920 to \$1.76 in April 1921—a drop of over one dollar in seven months—farmers grew more and more alarmed, and beseeched Ottawa to restore the Wheat Board. Now it seems extremely unlikely that, with suddenly altered international conditions, the Board could have averted a price reduction; its most enthusiastic friends did not look for any such miracle. Nevertheless, the blow to farmers' incomes might not have been so severe. The opinion of one detached and careful observer² may be worth quoting: "there is reason to believe a continuation of Wheat Board marketing would have enabled Western

¹ C. R. Fay, *Co-operation at Home and Abroad*.

² H. S. Patton, *op. cit.*

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growers to realize a somewhat higher average return than that received under competitive, individual selling." He qualifies this statement by adding that in any case results must have been disappointing and distressing to producers, that the Board plan had not included a guaranteed minimum price. A steep descent from war food prices was bound to occur; the Board would have had nothing more to offer producers than the amount it received from actual sales.

The Meighen government, with a general election on the horizon, shrewdly calculated the political effects of restoring the Board. On the one hand, producers would not be pleased with the small returns bound to result from a falling world market; on the other, the cry might be raised by consumers of bread in Eastern Canada that they were being sacrificed. Business interests, too, were traditionally opposed to the principle of government interference with industry (always excepting the tariff, the most flagrant interference of all). So no doubt having considered that to raise a ghost might hasten its own departure to the shadows, the administration decided to leave the Canada Wheat Board buried.

Meanwhile, in that autumn of 1920, the clamor from the West continued. Using to advantage his dual position of cabinet minister and head of the Saskatchewan Co-operative Elevator Company, Hon. George Langley had a resolution carried by the provincial legislature urging that the balance of the crop should be marketed by a public agency. And as representative of all major farm organizations in the country, the Canadian Council of Agriculture (which, by the way, was then busy organizing an agrarian political movement, the Progressive party) passed a similar resolution.

THE FIRST DRIVE FOR MARKETING CONTROL

At the same time, having decided that resolutions were a forlorn hope, the Council of Agriculture named a committee to study possibilities of building up a new grain marketing system with existing farm organizations as a base. This investigation, important as the first move ever made in the direction of co-operative pooling, was made by H. W. Wood, president of the United Farmers of Alberta, F. W. Riddell, general manager of the Saskatchewan Co-operative, and J. R. Murray, assistant general manager of the United Grain Growers. Of these three, Wood had gone deeply into co-operative marketing schemes of the California raisin and citrus fruit growers, while Riddell could draw from his practical experience on the Wheat Board.

The committee reported in favor of a five-year contract pool binding those who joined to pool all their wheat during that period, and drew up a specimen agreement for a basis of discussion. It recommended further that contracts must be secured for at least sixty percent of the wheat acreage before launching such an ambitious marketing experiment.

This plan attracted wide interest, and was carefully examined by the various farm organizations, but was put aside late in 1921. Difficulties in the way were deemed to be too great.

Their decision may have been partly guided by a statement to the Saskatchewan government from Stewart and Riddell of the Wheat Board a year previously, in which those experts hesitated to advise a long-term contract pool, feeling that any voluntary arrangement would not be so effective as an agency controlled and financed through the state, and having compulsory powers.

Although it was quite obvious that Ottawa had no

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intention of bringing back the Wheat Board, Western desire for it was fanned by a further price decline as the 1921 crop began to pour on the market. That old storm centre, Sintaluta and Indian Head, sent forth a blast which added to the embarrassments of Premier Meighen as he led his Conservative forces into the heat of an election campaign. Meighen attempted to meet the attack of E. A. Partridge—who, ever a fighter, was taking an aggressive part in the agitation—by announcing he was ready to form a government board for those farmers who wanted to pool their wheat, but it would be voluntary, not compulsory.

The year 1922 arrived, and with it a new federal government. This, the first Liberal regime since that of Laurier, had a majority of two in the House of Commons, which circumstance caused it to lend an attentive ear to the block of sixty-five farmer Progressives, mostly from the West.

Upon the Mackenzie King administration organized agriculture renewed its pressure for a national marketing board. Parliament took up the question. But, the lawyers being called on for advice, it was found that Canada's constitution did not permit, except in war emergency, enactment of laws affecting provincial jurisdiction over freedom of contract and other civil rights. The provinces could not run a marketing board of the kind contemplated because that would mean trespassing on Dominion authority over trade and commerce.

The way out seemed to be to establish a Dominion board, and get the provinces to enact legislation authorizing this board to take delivery of all wheat



THE FIRST DRIVE FOR MARKETING CONTROL

within their own borders. The Commons agricultural committee so recommended, and a bill was passed, in June 1922. It provided for concurrence by at least two provinces. If all three Western provinces agreed, the new board would have control of the entire wheat crop, but if one of them objected to the plan, operations would have to be confined to the remaining two.

Saskatchewan and Alberta immediately called their legislatures together in special session, and put through the necessary measures with practically no opposition. While this was being done, the United Farmers of Manitoba¹ were seizing office in a midsummer election; John Bracken, president of Manitoba Agricultural College, was chosen premier. It being inconvenient to call the house together so quickly, Manitoba took no action. Consent from two provinces, however, as required by the Dominion legislation, had already been obtained.

But a hitch occurred. No one approached would accept either the post of chairman or of second in command of the proposed board. The Alberta and Saskatchewan premiers searched in vain for a candidate. James Stewart and F. W. Riddell, the most natural selections, both declined to act, pointing out that unless the whole West were included in the plan their handicap would be too great. They must have complete control of a marketing situation which had become much more difficult since the days of 1919-20. For not only was their authority confined to two of the three prairie wheat producing provinces, but the act failed to allow sale and export of flour or control over wheat transportation.

¹ Early in 1920 the Manitoba Grain Growers Association adopted this new name.

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United hostility of the grain trade to any further governmental meddling with the established order of things was another factor in making qualified men reluctant to come forward. The means to overcome that opposition was lacking.

There seemed some justification for Conservative leader Arthur Meighen's caustic description of the bill as a "famished, deformed monstrosity."

In this dilemma, Premier Dunning of Saskatchewan made a proposal. Why not, he suggested, merge the two great farmer enterprises to form a co-operative export company? He had in mind an entirely voluntary pool operating without any contract, and therein his proposition differed from the compulsory government-operated scheme and also from the contract plan advocated by the wheat marketing committee of the Canadian Council of Agriculture.

Here surely was an even stronger reason to bring about amalgamation than there had been in 1917. United Grain Growers was willing, but again the Saskatchewan Co-operative proved a stumbling block. His old colleagues turned down the Dunning plan. They still pinned their hopes to an all-embracing government board so long as there remained any chance of getting it.

Another drop in prices attending the early movement of the 1922 crop found most farmers in no mood for half measures. One Northern wheat was now fetching less than a dollar at Winnipeg.

The Dominion government undertook to extend the 1922 legislation for another year, but would not strengthen it to the extent desired.

Everything appeared to hinge upon Manitoba's action. Alone of the three, this prairie province had not shown much enthusiasm for a government mar-

THE FIRST DRIVE FOR MARKETING CONTROL

keting scheme. Premier Bracken, while himself favoring the way of co-operation, undertook to introduce an enabling bill to clear the way for a board, on the distinct understanding the latter was to be regarded only as a temporary expedient to tide over the emergency, and must lead to development of a permanent co-operative system of marketing by the growers themselves.

The other provinces agreed to this. The Manitoba bill was then brought in and debated as a non-party measure, in April 1923, but to the keen disappointment of wheat board supporters was defeated by twenty-four to twenty-one; three cabinet ministers were among those voting against it.

With Manitoba definitely out, the long drawn-out campaign expired after Premiers Dunning and Greenfield (the latter being Alberta's farmer premier) tried once more to get a suitable man to head the board. Not even officers of the farmers' commercial concerns would consent to serve. The same difficulty of incomplete control was in the way, and the post remained vacant.

So the episode closed. The *Grain Growers' Guide* published an editorial epitaph in June: "It may reasonably be assumed that the wheat board idea is dead."

CHAPTER XII

NEW PLANS AND AN ALLY

THESE four years of futile striving had not been entirely wasted. They left Western Canada with a feeling of frustration, but had done much to nourish the seedling of co-operative marketing which was by now almost ready to put forth leaves and spread luxuriant foliage beneath the prairie sky.

While the repeated setbacks between 1920 and 1923 had apparently entrenched the private grain trade, a more forceful challenge than anything yet known was about to be hurled against it. An assault coming from the soil, from men banded together in their own defence, was more likely to be effective in the long run than state intervention.

The Canadian Council of Agriculture initiated the next move immediately it was plain to all that there was to be no wheat board. Out of a pigeonhole came that plan for voluntary co-operative marketing drafter over two years earlier and since then held in reserve. On July 4, 1923, the Council's Western section met at Winnipeg to consider whether action could yet be taken in time to market the crop then filling on prairie wheat fields.

The Council as a body was not, however, the spearhead of the new offensive. That position was assumed by one of the two business enterprises, United Grain Growers, whose directors had been friendly toward a co-operative policy since the passing of the

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old Wheat Board. It was not the Company's fault that the original plan was allowed to lie dormant partly because of organization difficulties, for it had offered money to help in that work. The *Grain Growers' Guide*, financed by the Company, had spread the pooling gospel across the plains, even sending a man down to California and other states to investigate co-operative marketing as practised by American farmers.

On one occasion President Crerar told the United Farmers of Manitoba in convention of his belief that co-operation could achieve anything that government boards could do, and more. But until the summer of 1923 his own people, the U.G.G. shareholders, like those of the Saskatchewan Co-operative Elevator Company, were mainly behind the compulsory wheat board drive and were not willing to think about alternatives.

When the proper time came, leaders of the United Grain Growers were ready. They asked the Council of Agriculture to meet, and came forward with an outline for an interprovincial wheat pool.¹ The present farmer companies would assist (but not carry on directly) this experiment, which, according to the proposal offered by Crerar as spokesman, would be launched separately by men who were going to pool their grain. And if the pooling plan proved successful, it might easily come about that the new organization some day could take over those grain handling facilities which farmers had already built up co-operatively.

This proposal was well received, but the Council decided to refer it to each of the provincial associa-

¹ The draft contract was prepared by J. R. Murray, in association with F. W. Riddell of the Saskatchewan Co-operative Elevator Company.

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tions rather than try to form a single pool at once as suggested.

Of the three, Alberta was ripest for action. Just before the meeting mentioned above, the farmers' association had formed a committee to do exactly what Crerar was recommending, but confining the pool to their own province. The attitude of Alberta growers seemed to justify a campaign that summer, in spite of the rapidly approaching harvest. The United Farmers of Alberta now controlled the provincial government, and as the later was bound to become interested at some stage, that fact made the pathway so much smoother. So the drive for membership began.

Saskatchewan offered more difficulties. Whereas the foothills province was ruled by the all-powerful U.F.A., exulting in its strength and confident of success in organizing the new venture, Saskatchewan farm opinion was no longer united in a single association. The years of trouble had brought a second group into the field which definitely challenged the right of the Saskatchewan Grain Growers Association to speak for agriculture. This group was the Farmers Union of Canada, born at Saskatoon late in 1921 and patterned after a left-wing movement in the United States. It attracted many who declared the Association was being dominated by a Co-operative Elevator clique, some members of which held office in the government as well.

Since the aim of the Farmers Union was "to organize farmers so that they may be enabled to fix their own price above cost of production," the pooling idea was calculated to appeal strongly to this zealous young association.

Meeting the same week that the United Farmers of Alberta was deciding upon quick action, the

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Farmers Union likewise sharpened its weapons. It voted for organization of a pool in Saskatchewan, and invited the government and all other interested parties to assist. Going further, the Union sent a message to Aaron Sapiro, California lawyer and authority on co-operative marketing, to come north and take part in the pooling drive.

Meanwhile, the older and larger farm organization in Saskatchewan, feeling naturally enough that tradition endowed it with certain prior rights of leadership, was working at the problem on its own account. In mid-July the directors of the Saskatchewan Grain Growers Association also decided to proceed with formation of a provincial wheat pool to market the 1923 crop.

In Manitoba there existed a cooler or at least more uncertain attitude toward a pooling venture, notwithstanding the fact that this province contained the operating centre of a strong friend of co-operative marketing, the United Grain Growers. Perhaps in the concentrated influence of the Winnipeg Grain Exchange, or, more accurately, of the dealers operating there, may be found part of the explanation. Organized producers, meaning the United Farmers of Manitoba, preferred to wait and see how matters should fare in the other two provinces.

When a second meeting was held by the Council of Agriculture late in July, at Regina, it was clearer than ever that each province would have to act separately. Once the three pools had been established, a single interprovincial selling agency could follow. A committee was put to work on this latter plan and to draw up a uniform contract.

The days slipped by, harvest drawing ever closer. Having already made a start, Alberta speeded up its

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campaign. Manitoba remained idle. In Saskatchewan matters became more complicated than ever when leaders of the Grain Growers Association, hopeless of securing an adequate sign-up in time, announced plans for marketing the 1923 crop through a pool without any contract at all. For its organization the Saskatchewan Co-operative was ready to grant money.

Thus there were four separate wheat pooling schemes in making: one in Alberta, two in Saskatchewan and one in Manitoba, the last being dormant. "Unless there is the closest co-operation between the various committees in charge of these pools," remarked the *Grain Growers' Guide*, uneasy at the danger of this division of effort, "it may become a case of too many pools and too little pooling."

On this rather troubled scene appeared the California apostle of farm co-operation, Aaron Sapiro. A native of that state, Sapiro had been attracted as a lawyer to co-operative marketing questions as early as 1908. He made himself master of the subject. Eight years later he began assisting the state director of markets at conferences with growers of all descriptions, and so became thoroughly familiar with the farmer's viewpoint in a practical way; he already knew it theoretically from studying volumes from many countries on agricultural marketing and credit.

Thereafter this brilliant Jew, who had once sold papers and matches on city streets, who came from an orphanage to battle his way past one obstacle after another—winning three university degrees—made himself dominant in the field he had chosen. He was

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the driving force in organizing marketing associations on the Pacific coast: first, poultry dealers, next berry growers, and next pear growers.

Soon after the War his operations were extended to Oregon, where he advised fruit growers and dairy-men. In the adjoining state of Washington came Sapiro's first experience of helping to organize wheat farmers. He did the same thing in Idaho. From there his restless energy carried him on similar missions to six southern states, this time among the cotton men, for each of whose co-operative associations he became counsel. Then it was the turn of tobacco producers in Virginia and Kentucky. Finally, after work in other regions, he pushed on to the main winter and spring wheat belt of the middle West. So he continued his comet-like progress across the continent, leaving behind him a trail of farm co-operatives.

Now, in the late summer of 1923, he crossed the international boundary into Western Canada.

This brief account of Aaron Sapiro's labors seems necessary in order to fill in the background of an extraordinary figure inseparable from the present story.

His prairie tour was a triumphal progress. His presence was sought in Alberta as well as Saskatchewan; indeed, because of the special interest displayed by two leading daily newspapers, he spoke in the former province before addressing the meetings arranged for him in Saskatchewan.

The change in plans only set back Sapiro's Saskatchewan itinerary a week or so, but that lost week, as it turned out, meant delaying the pool experiment in the largest wheat growing province for another year. When they consented to the change, Farmers Union leaders were fully aware of this possibility.

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They felt, however, that in view of the apparently greater cordiality of the Alberta press, as compared with their own newspapers, it might be as well to start the tour there; and they hoped that a favorable reception in Alberta would do good all round.

Attracted by the Californian's prestige, large crowds flocked to hear him at Calgary, Edmonton, Saskatoon, Regina, and several smaller centres. Their already keen interest in the subject was fanned by his eloquence. Depending on their point of view, some hailed him as a sincere and powerful fighter for social justice; others as a troublesome agitator. In any case, Sapiro was a highly effective orator.

He supplied the stimulus which the pooling movement needed in both provinces. Alberta redoubled its efforts. The more difficult task awaiting him in Saskatchewan he handled with dexterity and complete success, and lived up to his reputation as an organizing genius. For he brought the rival farm associations together and persuaded them to sink their differences for the common good.

"You have everything here to solve the problem except harmony," Aaron Sapiro declared bluntly at Saskatoon, on August 6. "One organization wants to form a pool but won't do it unless it gets credit. Another wants to try but wants to be the big cheese after the project is started.

"I tell you, this is no time to think of prestige. This is a time to think of the one hundred thousand farmer families in Saskatchewan who will have to go without the proper clothes unless a decent price is paid for wheat. I am against a Grain Growers movement to form a pool, against a Farmers Union movement, against a government movement. I am only for a wheat pool organized by the farmers."

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Such plain and even homely talk found a ready response. Farmers liked his straight-from-the-shoulder manner. Nor were they alone, for business men were likewise favorably impressed. Premier Dunning, as chairman of Sapiro's principal Saskatoon meeting, publicly pledged support to a soundly planned marketing scheme.

Above all, his message struck home to thousands as a practical and sensible way of doing things. He himself disclaimed any personal magic. "I am simply bringing to you the principles of business common-sense applied to farming."

His counsel prevailed. The Grain Growers agreed to drop their own non-contract pooling idea, and joined hands with the other provincial association to work out a five-year contract and put it before Saskatchewan farmers.

Once again the co-operative movement in the middle of the wheat belt was united. And in the task awaiting it, the movement had stronger public support than had been given to the long campaign for government control.

As the stooks began to dot wheat fields from south-eastern Manitoba to the Peace River country—there were many stooks in that bountiful harvest of 1923—the stage was set for the next act in agricultural co-operation.

CHAPTER XIII

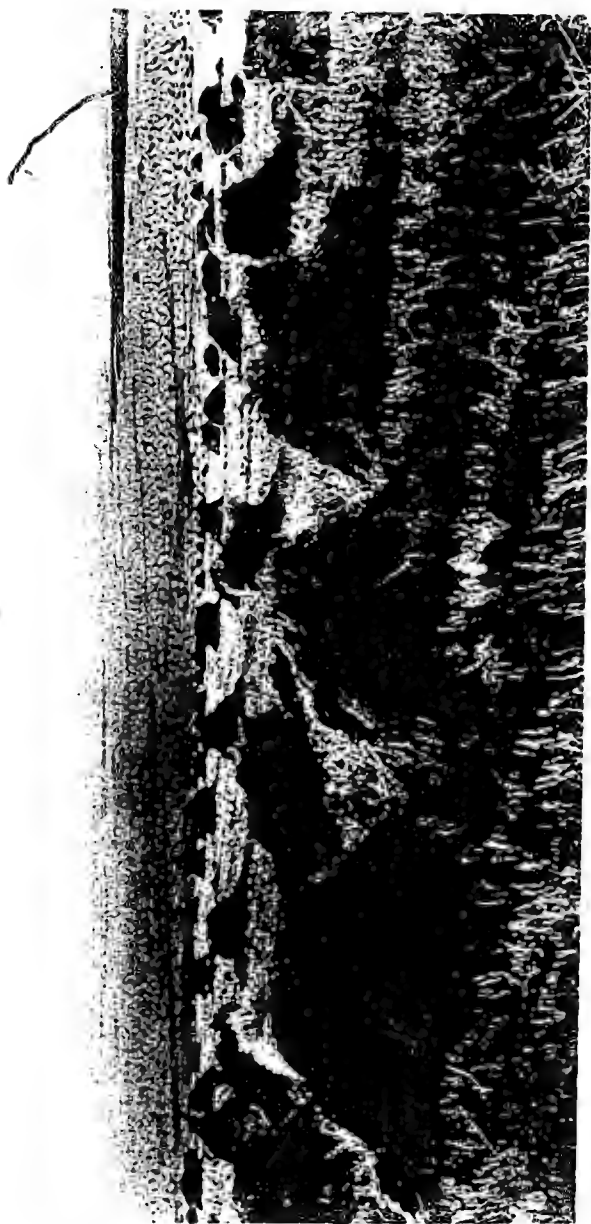
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BEFORE the course of events which ushered in the Canadian Wheat Pool is traced further, it might be well to consider what sponsors of pooling had in mind. Previous efforts on the part of organized agriculture had sought reforms within the established system of grain handling and marketing, or at least to secure for farmer shareholders some of the money which middlemen gained. But now the system itself was being challenged.

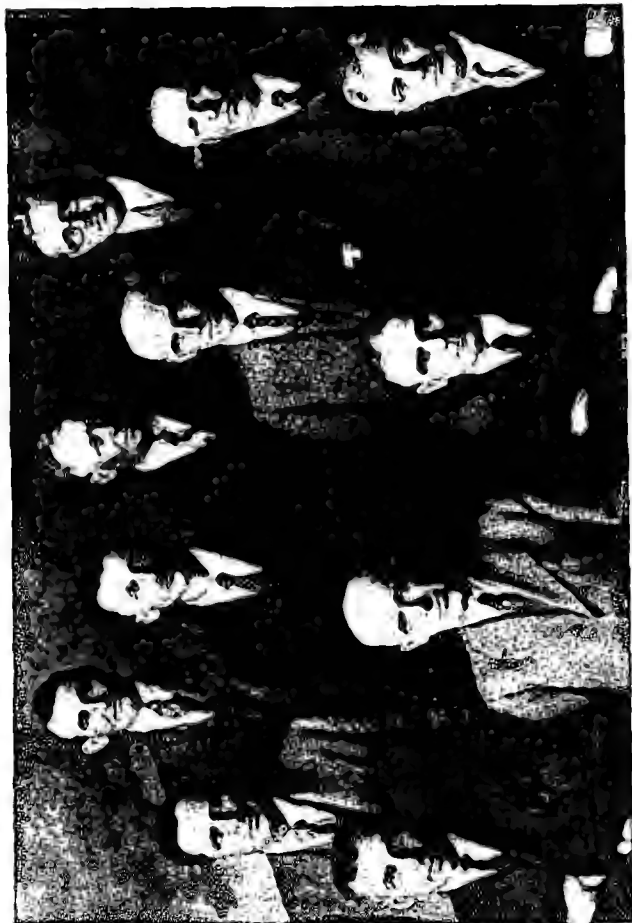
The thought was taking form in the minds of producers that they should attempt to control sale of their products through all stages from the field to the consumer.

They hoped to bring about better prices, or at the least more stable prices. While most people behind the pooling movement thought there ought to be a rise in the price level, which was then so low as to be oppressive to farmers, they were even more concerned with ironing out violent swings during each season. Surely the business of growing grain was uncertain enough, they said, without adding to the whims of Nature a speculative system of setting prices.

The system—about which something should be said at this stage—was supposed to reflect like a mirror the play of economic forces. Men gathered in central market places of the world, some to buy,



HARVEST ON THE MANITOBA PLAINS



CENTRAL SELLING AGENCY OF THE CANADIAN WHEAT POOLS, BOARD OF DIRECTORS AND OFFICIALS, 1927-28

Back row—L. C. Brouillette, Saskatchewan; R. A. McPherson, Alberta; Geo. McIvor, chief salesman

Centre row—Brooks Catton, Saskatchewan; Paul F. Bredt, Manitoba; Stuart Gellie, Manitoba; C. Jensen, Alberta

Front row—E. B. Ramsay, general manager; H. W. Wood, Alberta, vice-chairman; A. J. McPhail, Saskatchewan, chairman; Colin H. Burnell, Manitoba.

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others to sell, and their innumerable daily transactions made the price of the commodity they traded in.

This price was constantly changing, from hour to hour and from day to day, influenced by news of how other markets were behaving, by reports of weather, insects and other scourges, the position of available supplies, exports and imports, tariff changes, the money exchanges, trade agreements, wars—by anything in short which might have the slightest bearing on the relationship between the supply of that commodity and the demand for it.

In the case of grain, elaborate machinery had been devised to govern the operations of all the important markets. Its function was to take care of price changes between the time an operator bought grain from the farmer and the time he was able to deliver it for consumption in some other place, either within the country of origin or overseas. The scheme was known as "hedging," and it meant that when an elevator company bought grain, a precisely similar amount of grain was sold for future delivery in a specified month. Similarly an importer would buy grain and sell a "future." A miller, having sold grain in the form of flour for delivery at a future time, would hedge his sale by buying a "future."

In all cases fluctuations in price downward or upward before the grain (or flour) changed hands would be cancelled out by the corresponding futures contract, a loss or gain on the cash grain being offset by a gain or loss on the "future."

Thus hedging was intended to be a form of insurance against price changes. Who, then, were expected to assume the risks inseparable from the business? At this point enters the speculator—professional or amateur—relied upon to buy or sell the necessary

volume of grain used by regular trade and milling interests for hedging protection, that is, to "take up the hedges."

Speculators, of course, tried to make money by their ability to predict the course of the market. "Bulls" were those who predicted the market would rise, while "bears" gambled for a fall. The largest operators often played for immense stakes. These people usually disliked being called gamblers. They said the difference between a speculator and a gambler was the difference between enlightened judgment and ignorant plunging; and indeed a royal commission once conferred some dignity on their activities by referring to a "competent speculative element" in the market.

Whether enlightened or ignorant, speculators were said to perform a public service by carrying risks and so keeping the marketing system in balance. According to one view, the system as a whole had to pay nothing for this service; speculators played with a perpetual fund to which all who played the market contributed, winners dipping into it at the expense of unlucky guessers. "Nothing is directly contributed to the speculative fund either by producers or consumers," once wrote a spokesman¹ for the system. "It is an exciting game for the speculator and calls for careful study of all developments in production, consumption and finance, but it does not essentially differ from games of chance in the respect that money merely changes hands."

Now it was declared by its friends that this system did in fact reflect the true state of supply and demand. Grain Exchange supporters in Canada defended speculation on the score that in addition to

¹ W. Sanford Evans.

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being the foundation of a truly efficient marketing system, it tended to bring somewhat higher returns to the producer, while their confreres in such importing countries as Great Britain claimed that the consumer got his bread for less. These apparently conflicting ideas were reconciled by applying the underlying argument to both: namely, that through hedging and speculation, the market risks of transferring grain from producer to consumer were shouldered by a benevolent group of speculators who might cut one another's throats but no one else's; that otherwise a costly alternative insurance scheme would be required to which producer or consumer, or probably both, would have to contribute in some way.

Great was the prestige of the system now being challenged by organized farmers, for eminent men had given it their blessing, and it still continued to command much respect after the pooling experiment had been launched. A royal commission headed by Mr. Justice W. F. A. Turgeon of Saskatchewan declared its opinion in 1925 that hedging as practised through the futures market, "by dividing and eliminating risks in price variations, reduces the spread between the prices paid to the farmer for his product and those obtained for it upon the ultimate market." Further, "that hedging facilitates the extension of credit and thereby reduces the cost of handling grain by making it possible for grain dealers to operate on less capital than would be the case otherwise."

Some years later still, a commission under an eminent British economist, Sir Josiah Stamp, appointed to inquire solely into the futures trading question, endorsed the views of its predecessor. But like the other, the Stamp commission found one disturbing element on the market to be the general

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public, taking a flutter and like "poor moths" being singed. These people, said to include many farmers, were described as mere gamblers and unwelcome on the Exchange.

In spite of the findings of official inquiries, most farmers regarded the system coldly, and for many years had been suspicious that it did not work in their own interests. Arguments that speculators merely took money from one another were received with skepticism. Some growers, however, themselves dabbled in the market, and perhaps their views tended to be graduated according to their success.

Among those who had given most careful thought to the subject, criticism covered a fairly wide range, from mild suggestions for supervision to demands that the speculative trading system be uprooted and replaced by something better.

Three main charges were voiced in the country:

First, because of the toll exacted by middlemen, including speculators, the futures system caused too great a spread between what the producer received and what the consumer paid. Second, it caused rapid price swings during the marketing season out of proportion to fluctuations warranted by changes in supply and demand relationship. Third, open trading without any systematic regulation of the flow of grain—without any attempt to adjust supplies to consumer demand—tended to depress unduly the general level of prices.

Advocates of pooling were generally agreed on the first two points but were not unanimous on the third. Probably all of them subscribed, then as later, to views expressed to the Stamp Commission in 1931 by A. J. McPhail, president of the Canadian Wheat Pool:

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"The organized farmers of Western Canada have felt for many years, and feel at least as strongly today as at any time in the past, that the present system of futures trading does not work out in their best interests. They feel that the price they receive for their wheat from day to day is largely influenced by the attitude of mind of the uninformed speculating public, and that such a method of determining or influencing the price level is too insecure and unstable a foundation on which to build any industry. They feel that the effect of uncontrolled speculation results in much wider fluctuations in the market price than would otherwise be the case. A steady or much more steady price level than now obtains would be of inestimable value to the producers, if some means could be found to bring about the desired results.

"It is my firm belief that the great majority of Western farmers, on whose efforts the production and supply of the commodity depends, are very strongly of the opinion that the effect of futures trading on the price they receive is detrimental."

What did the critics hope to achieve from their alternative system?

Above all was the desire for stable prices. If the jagged peaks and deep chasms displayed on a price chart in any marketing system could be rolled out flat, the result might be less picturesque but more satisfactory to a prairie farmer's eye. He wanted to be able to drive to town with a load of grain feeling sure that what he got for it would be the same as the day before. Under prevailing conditions the waggon load might fetch twenty dollars less in the afternoon

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than in the morning: such cases though extreme were actually on record.

Market weakness in the fall of the year, a familiar spectacle, was the source of much complaint. For a few weeks between harvest and freeze-up, an avalanche of wheat and other grains poured from the farms, and being quickly congested, the market dropped. Later, with pressure of supplies lessened, those farmers fortunate enough to hold all or part of their crop were able to take advantage of a frequently improved price level. But most growers had financial obligations to meet as soon as harvest was over; they must have ready cash, and so felt they had no choice but to sell even on a falling market.

If co-operative marketing, men were saying in 1923, did no more than assure a farmer a steady average price for any one season, not so low in the fall, not so high in the spring, then it would justify itself. Their plan was to follow the example of the Canada Wheat Board and make an advance at the time of delivery sufficient to meet his more urgent expenses, further payments to be spread over the whole season. By the close of the marketing year every grower would receive precisely the same for his grain, taking grades and freight rates into consideration.

As far as possible the futures market would be avoided, a direct producer-to-consumer service being developed gradually in its place. In this way many middlemen's tolls might be expected to pass into the pockets of farmers or be saved to consumers at the other end: after removal of duplication, those middlemen who remained would, it was hoped, be absorbed as part of the co-operative marketing machinery. All this meant carrying forward another

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step the process begun with the formation of farmer commission firms and elevator companies.

Instead of relying upon the behavior of speculators, farmers would assume marketing risks for themselves, "It is absolutely right," in the words of one Saskatchewan co-operative leader, "that the producer should carry his own risk instead of paying others a substantial amount to do it for him. But in order to do that he must have control of the product."

That leads to a third point, the control of supplies. More problematical than either of the foregoing aims was the question whether co-operative marketing could really raise prices. Pooling men all thought that within reason this was highly desirable, considering how low the price level had sunk by 1923, but some went further than others in believing how far it was possible.

The theory was that by controlling flow to the market, farmers might avoid price-demoralizing gluts. Aaron Sapiro expounded it at Saskatoon:

"The aim of co-operative marketing is to save dumping of farm products, and instead of dumping to introduce merchandising of farm products. By merchandising we mean control of the flow of any given commodity, so that it goes to the markets of the world, wherever they are, in such times and in such quantities that they will be absorbed at a price that is fair under current conditions.

"Instead of breaking our price in the crop harvest season we (in California) are merchants, and we sell what the merchants will absorb at that time, and the balance we store; and the balance we find new markets for; and the balance we warehouse; and the balance we carry over, just as dealers will do this year to your crops if you do not organize in time."

CHAPTER XIV

THE COMING OF THE POOLS

THIS story has been brought to the late summer of 1923, with rural Alberta engaged in a drive for co-operative marketing, and Saskatchewan about to follow. Manitoba also was considering action, but had not yet got beyond the stage of contemplation; the harvest being well advanced, it decided to wait until another crop and to become properly organized in the meantime.

Aaron Sapiro's tour of the West did much to keep the freshly kindled pooling flame aglow.

Off to an earlier start, the Albertans worked energetically at their task of signing up at least half the provincial wheat acreage to contracts. They set September 5 as the "deadline," by which date the objective was almost reached. Farmers who had already signed were given the chance to withdraw, and the campaign proceeded until the 22nd, when it was announced that additional acreage secured more than made up for withdrawals.

The Alberta Wheat Pool was ready to launch a great marketing experiment. It was officially incorporated as Alberta Co-operative Wheat Producers Limited, with head office at Calgary.

At the head of the organization stood Henry Wise Wood, who had been most active in the campaign. He was presently installed as chairman of the board of directors, being elected by the first meeting of

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Pool delegates who in turn had been chosen by their shareholders. For election purposes the province was divided into seven districts, each having ten delegates. The board, consisting of seven men, all farmers, drew a representative from each district.

Although October had almost passed before the new company was ready for business, and much of the crop was marketed, it actually handled thirty-four million bushels of its members' wheat during the remaining nine months of the 1923-24 season, forty percent of all deliveries in that period.

In its infancy the Alberta Wheat Pool found a friend in that older farm enterprise, United Grain Growers Limited, just as a decade previously the Alberta co-operative elevator system had been helped to get on its feet. From the U.G.G. came a loan to buy a seat on the Winnipeg Grain Exchange, advice and assistance in office matters, and also two experienced men; one of these, D. L. Smith, had been in charge of exports and now became Pool sales manager at Winnipeg. But unfortunately for the cause of solidarity, this harmony was not to endure. Instead of eventually merging in one another, as many then hoped, the sections of the Western grain growers' movement drew apart until they ceased to have any contact whatever.

Division within the farmers' ranks in Saskatchewan had caused a delay which Alberta escaped in 1923. Aaron Sapiro had promptly brought the factions together and left them busily preparing their campaign plans. It soon became clear, however, that a drive started in mid-August to secure contracts covering half the acreage of the leading wheat prov-

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ince, could not possibly succeed in time to handle the 1923 crop. Only a month, the busiest in the farmer's year, was allowed for reaching the quota.

Even so, more than four million acres were signed up, and such was the interest in the country that the provisional Pool board felt justified in keeping up its efforts during the following winter. In another year the foundations would be more securely laid, and, in the words of the trustees, it was "much more important to start right than to start in a hurry."

In this effective organization work two of the leading spirits were A. J. McPhail, then secretary of the Saskatchewan Grain Growers Association, the campaign manager, and L. C. Brouillette, vice-president of the Farmers Union. To the efforts of the latter may be traced much of the success of Aaron Sapiro's two visits to Saskatchewan.

The second of these visits occurred in February 1924, in response to urgent requests that Sapiro should return to present co-operative doctrine, in his own forceful way, to those who remained to be convinced. So he set about completing the conquest begun the previous August.

The February visit proved more exciting than its predecessor. In the interval Sapiro had been under attack from four daily newspapers (at Regina and Saskatoon), which had suddenly shown themselves cold if not downright hostile to the proposed scheme of contract pooling. He challenged these papers in a public meeting at Regina, demanding a retraction of statements reflecting upon his integrity. When they remained silent, he sued them for libel. The case dragged on for over two years, being first dismissed, then put back where it had begun by the court of appeal, and finally settled out of court.

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One result of this opposition by the principal newspapers of Saskatchewan, all under the same control, was that the pooling movement hastened to bring printed ammunition of its own into the battle. Allies it already counted on to a considerable extent in the majority of the country weekly press and in at least one of the smaller dailies, but it wanted something more—an organ of direct propaganda.

Steps which led to formation of *The Progressive*, to be financed by the Saskatchewan Grain Growers Association, already had been taken before Sapiro's original visit. The paper published its first issue late in August 1923, under the editorship of Harris Turner. From the beginning *The Progressive* thrived on controversy, and when it changed its name a year or two later to *The Western Producer* (in order to escape the suggestion of political partisanship), continued to keep its weapons sharp and to use them in the cause it conceived to be just. While eventually, in 1931, the paper became the property of the Saskatchewan Wheat Pool, there was no change in policy; it remained the politically independent organ of the co-operative movement generally.

Sapiro's second tour was as triumphant as the earlier one. At each of his seven meetings—Regina, Saskatoon, Kindersley, North Battleford, Weyburn, Assiniboia and Yorkton—the hall could not hold all who wished to hear him. In those days when radio was still a novelty, a speaker had to depend upon meetings to reach the public, so that the proportion of the population which actually heard his message must have been small. But those who were converted at first-hand went out themselves to rally their neighbors to co-operative action.

Added to the Sapiro dynamo was the persuasive

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voice of H. W. Wood, who came from Alberta to describe current happenings in his own province, how pooling theories were being put to trial. This appealed to the practically-minded farmers of Saskatchewan, curious above all things to know, "does it work?"

An immense amount of organization work remained. All the signers of the previous fall must be approached over again, and of course new contracts obtained besides. An army of canvassers was enlisted, every part of which functioned smoothly as well as energetically. Not only farmers, but many merchants (two of whom served on the provisional board), and professional men as well, helped to bring in Pool contracts.

United Grain Growers made a contribution of \$5000 toward organization expenses. The Saskatchewan Co-operative Elevator Company voted \$15,000 as a loan for the same purpose. The rest was paid by contract signers themselves, at the rate of two dollars a head.

Throughout this period of enthusiasm the provincial government kept officially on the sidelines, although no doubt on the whole its sympathies lay with the campaigners. Hon. C. M. Hamilton, minister of agriculture, had been a member of the organization committee in August 1923 which preceded the quest for contracts. Later the government advanced \$45,000 for organization purposes and for the setting up of the Pool office.

The ministers seem however to have mistrusted an overflow of emotion resulting from Sapiro's eloquence—although public men themselves are sometimes known to make emotional appeals. At any rate that might account for Premier Dunning's entreaty

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to the growers: "Read your contract!" In the early stages of the big drive he had refrained from advising the individual farmer to sign or not to sign, but said that "in fairness to himself and to the men who are attempting the direction of the enterprise, he should appreciate fully all that the contract means before signing it."

The campaign wound up with a flourish. A day in June was set aside for the final dash, and the occasion was given the most intensive advertising beforehand, through the press and by thousands of posters and car windshield stickers. Many towns and villages declared a special holiday so that citizens could turn out to help. Before such an onslaught the last hesitant farmers who were needed to fill the quota capitulated.

Whether they all understood the contents of their contracts or not, 45,725 Saskatchewan farmers had come into line by June 26, 1924. The acreage signed up totalled 6,330,000 acres, and the quota had been reached at least. The Saskatchewan Wheat Pool dates from that midsummer day.

A month later elections¹ took place in the sixteen Pool districts of the province, and the 160 delegates chosen by the growers elected their sixteen directors. These replaced the provisional board which had transformed Saskatchewan Co-operative Wheat Producers Limited (incorporated late in August 1923) from a name into a reality.

¹ After the first year, an interesting method of voting was adopted for election of delegates, known as the alternative ballot. The Pool member marked his ballot with the figures 1, 2, 3 and so on, according to his preference, instead of with a cross. Then in counting the ballots the low man was eliminated, and the second choices distributed among the others, until finally one man had a clear majority over all. This system showed its superiority over the older one in cases where more than two candidates took the field. Pool elections were conducted by mail, and instead of being secret the ballots were signed.

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Local shipping committees were created by the delegates after their election, for the specific purpose of seeing that growers were not turned against the organization by private elevator agents who received pool wheat. These committees, which in time were given broader functions, became the nerve centres of the whole movement.

The new board held its first meeting at Regina on July 25. With the selection of A. J. McPhail as president and L. C. Brouillette as vice-president, leaders from both farm associations in Saskatchewan were given to the Pool. Neither they nor any others on the board, however, continued to hold office elsewhere, because a feeling had grown up against "interlocking directorates," even within the democratically controlled co-operative movement where they might not be expected to mean too much power being placed in a few men's hands. It became a rule also that directors and delegates could not sit in Parliament or the legislature, nor could they accept a nomination as candidate. Manitoba adopted these principles as well, but it was not the case in Alberta.

Three members of the original Saskatchewan board later on were to be called by the Dominion for public services: E. B. Ramsay and R. S. Dundas on the Board of Grain Commissioners, and R. J. Moffat as a director of the Canadian National Railways.

Manitoba, smallest of the three prairie provinces from a wheat producing standpoint, was last to organize a pool, but only a few weeks after Saskatchewan. It had proportionately a more difficult task. An earlier harvest than over much of Saskatchewan and Alberta in 1923 was one factor. Another more

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formidable one was private grain trade influence, concentrated at Winnipeg and hence most felt in the province of Manitoba. The trade, of course, would have nothing to do with such heresies as pooling.

While the 1923 crop was still being harvested, pool sponsors in Manitoba started working out their programme for marketing the crop then a year away. The campaign proceeded methodically. Contracts were sent out to the farmers, so that they could study them during their winter leisure. Next the United Farmers of Manitoba convention discussed the projected pool, and blessed it, after which Manitoba Co-operative Wheat Producers Limited was officially incorporated.

Then, in March, the barrage of speeches began, opened by a salvo from Aaron Sapiro, whose five meetings were as triumphant as any held in Saskatchewan. H. W. Wood also worked effectively in the cause.

The drive for signatures followed at once, the Manitobans' objective being approximately one million acres. Actually three separate attempts were necessary before it was achieved, for producers were slow to respond.

As their goal came in sight, the organizers decided not to wait any longer, but called a meeting of shareholders. Delegates, duly elected by their growers, came to Brandon on July 2 from every municipality in the province. The arrangement differed somewhat from that in Saskatchewan and Alberta; instead of division into Pool districts and subdistricts, Manitoba was organized according to municipalities, with Pool locals in each.

NEW BREAKING

An active farm leader, Colin H. Burnell, became Pool president, and immediately resigned the presidency of the United Farmers of Manitoba.

"The convention," reads an official record of that period, "formally expressed its thanks to the United Grain Growers Limited for the loan which had made organization of the Pool possible." So in all three provinces this older company had proved a valuable ally.

One more step remained to complete organization across the West. As soon as permanent boards were in existence, the three Pools moved to establish an interprovincial selling agency, which had been in mind for some time.

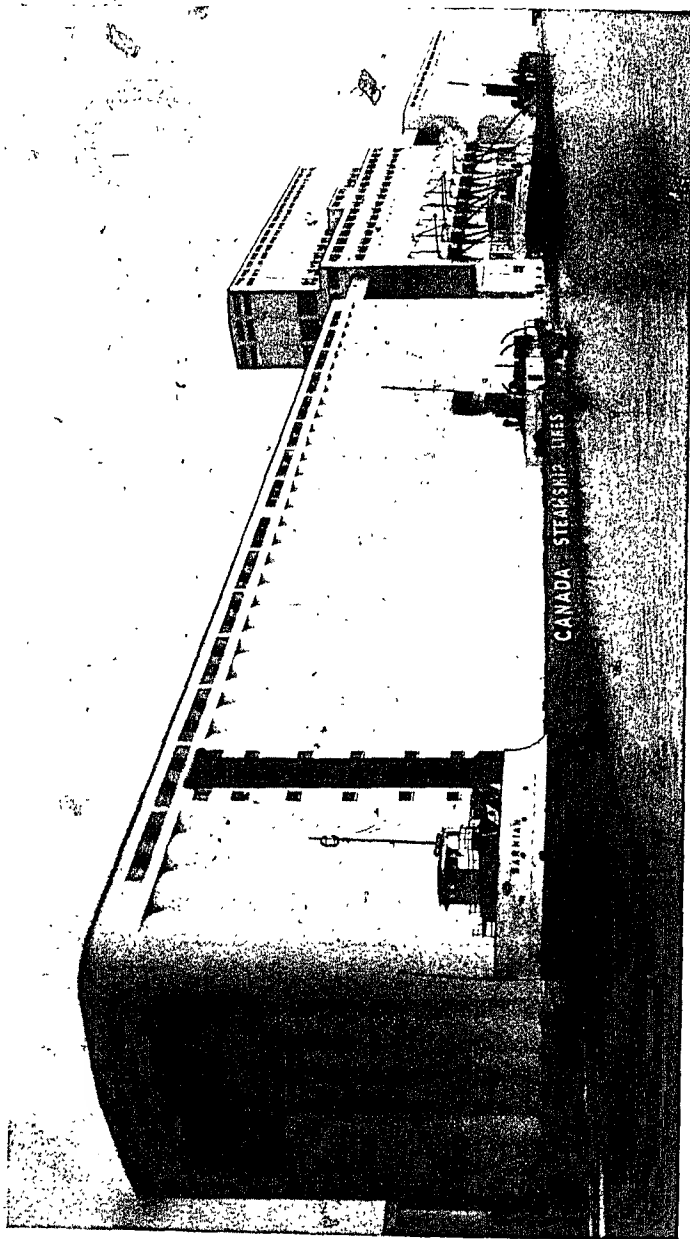
This decision was reached late in July, details being settled by the beginning of September. The new agency, known officially as Canadian Co-operative Wheat Producers Limited, and unofficially as the Central Selling Agency, or just "Central," operated under a Dominion charter.

The central board consisted of nine men, three from each provincial board, so that each Pool was placed on an equal footing in the framing of policies, irrespective of its size. That was an old co-operative principle, "one member, one vote." The fact that Saskatchewan's contracted acreage was more than double Alberta's and more than seven times that of Manitoba, gave Saskatchewan no additional voting power.

A. J. McPhail of Saskatchewan became president, and was re-elected annually until his death seven years later; H. W. Wood of Alberta was vice-president, and C. H. Burnell of Manitoba, secretary. The



A SHIPPING POINT IN SOUTHERN ALBERTA



POOL TERMINAL No. 7, PORT ARTHUR (CAPACITY 6,900,000 BUSHELS), WHICH WAS CONSTRUCTED FOR THE SASKATCHEWAN WHEAT POOL IN 1928

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board selected D. L. Smith as general sales manager.

Thus by the fall of 1924, with a very light crop to be threshed, the Canadian Wheat Pool was ready to make its bow to the world of commerce, by which its entry was watched with hope, skepticism or hostility, but not indifference. The Pool was already a giant at birth.

CHAPTER XV

FROM PRODUCER TO CONSUMER

IN the charter of the Pools' Central Selling Agency its objectives are described in these words:

"To be an agricultural organization instituted for the purpose of mutual help; . . . to improve methods and reduce costs of marketing grain; to reduce speculation, manipulation and waste, and all unnecessary transactions in such marketing; to increase consumption, build up new markets and develop new uses for grain; to market same directly and with regularity, so as to furnish it economically to the users thereof; and to preserve for the growers and the public their proper profits and economies."

The second last section of that declaration indicates what the Wheat Pools had in mind when they spoke of "orderly marketing," a phrase which soon rang through the land, uttered devoutly by believers and derisively by opponents. It meant supplying grain to the international markets as required, avoiding price-demoralizing "dumping" on the one hand or withholding for artificially high prices on the other.

"We did not adopt any definite policy as to the quantity to be sold in any month," D. L. Smith, general sales manager of the Central Selling Agency, told an international co-operative conference in 1927, "our selling being governed entirely by demand, prices obtainable, and general world conditions."

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And at the same gathering President Wood of the Alberta Wheat Pool pronounced that "the selling of wheat is a purely business proposition, and the Pool must decide when it is best to sell or hold, just as the buyers have to decide when to buy or not to buy."

Critics declared that "orderly marketing" was a myth because the fall rush of grain from the farms was as hectic as ever. But deliveries and sales were different things. The Pools jointly controlled somewhat over half the Western wheat crop, and this proportion did not enter the open market, which was therefore set free from the weakening effects of very heavy hedging pressure during the rush period.

Early in their career the Pools set about making the radical change to which private traders objected: direct contact with buyers of Canadian wheat. The Alberta Pool, acting alone in the first year, had not attempted this, but the unified organizations of the West were in a stronger position to do so. Agents began to be appointed abroad. By the year 1925-26 about three-quarters of all Pool wheat was exported directly.

Late in 1927 D. L. Smith moved from Winnipeg to London, there to take charge of the European branches. These had been opened in the British Isles and France, and through them contacts were maintained with a large group of countries. A Pool representative was also stationed in Argentina.

Strategic points on the North American continent were also occupied. The Central Selling Agency had offices, either for sales or for chartering steamer space and attending to loading operations, at Calgary, Toronto, Montreal, Fort William, Vancouver, Prince Rupert, Buffalo, and New York. Its head office was at Winnipeg.

NEW BREAKING

The effect of the direct selling policy, so far as it extended, was to dispense with hedging and the speculative trading which surrounded that practice. The whole Pool marketing structure was a highly specialized corps of traders, many of whom had been in private business, now employed by the producers instead of working for themselves.

The established grain trade both in Canada and in overseas countries was affected by this policy. The Canadian export field for years had been dominated by a small group of foreign companies which had no more interest in Canadian grain than they had in that of Argentina or Australia, where they also traded. These large firms, indeed, controlled the bulk of wheat shipments out of Canada. The Pool loosened that hold.

On the buying side, the new direct selling plan found enemies in the British and continental importing firms. Even among millers, the people who bought the wheat eventually for conversion into flour, were interests who preferred to stay with the familiar way of doing business. This was by no means true of all; in later years letters were filed with the Dominion minister of trade and commerce from European milling companies expressing their satisfaction with the direct contacts afforded by the Pool method.

Canadian millers were not pleased. They protested that the Pool discriminated against them by selling wheat abroad to foreign millers at prices less than those offered at the same time to themselves. Without doubt operations of the Canadian Wheat Pool tended to reduce their profits: they could no longer select the cream of the grades delivered to local stations, as formerly; and they frequently had to bid somewhat higher for wheat offered on the cash

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market at Winnipeg, since the Pool's direct selling left a smaller volume on that market.

The Pool took the attitude it wanted the best possible return for its members' wheat, no matter where the wheat went. It was not concerned about giving the Canadian milling industry preferred treatment, and for the same reason the organization objected to any move which might benefit another national interest at the expense of Canadian farmers. One case in point was an attempt to divert the movement of Canadian wheat from United States ports to those of the Dominion. Pool officials argued that this should not be done; that the grain should be allowed to flow in its natural channel, the cheapest route.

As a matter of fact, the Saskatchewan Wheat Pool began to consider starting flour mills of its own. "The committee investigating this matter," it was reported to the annual meeting of delegates in the fall of 1929, "intimated that in their opinion there was no valid reason why the organized farmers of Saskatchewan should not enter the milling business on a co-operative basis, and that it appeared to be a logical development of the co-operative movement." The crisis of that same year prevented any definite action being taken, and the idea remained dormant.

The other ambitious resolve with which the farmers began their operations was to reduce and eventually eliminate speculative marketing altogether. In a general way the Pool tended to stabilize prices and to iron out fluctuations, but its influence was incomplete in Canada, to say nothing of the rest of the grain exporting countries. So long as it was merely one—even if the largest—of a number of sellers, futures trading was likely to continue.

NEW BREAKING

The co-operative organization itself made use of the hedging system whenever it deemed in the interests of members to do so. For example, it followed accepted trade practice in taking back the futures contract from millers against sales of cash grain, the contract being then disposed of in the futures market.

Not only that, but there were times when the Pool actually became a speculator, a "bull operator" on the exchanges, for reasons of self-protection. One occasion was very early in its career, when in the spring of 1925 a sudden collapse of the market followed frenzied speculation on the part of the public. The Pool, which had just announced a second payment to its members, found its margin with the banks in danger, and in an effort to strengthen the disorganized market bought wheat options heavily. Presently prices recovered, and the crisis had passed. During another market decline in May 1929 the organization took similar action, and once again saw a successful outcome. As in 1925, it made a profit on the transaction (about half-a-million dollars each time), but as Pool leaders always insisted, that feature was incidental and not the reason for the purchase of futures. A third but this time prolonged and disastrous experience of trying to support a weakened market took place during the season of 1929-30; no efforts could do more than retard the fall of wheat prices, and losses of two million dollars resulted.

For these ventures the Pool organization was attacked by its enemies, who watched every move it made. Some of its friends were dismayed. Officials, however, justified what had been done, and in the main, the membership accepted their explanations.

Out of the experience gained from season to season, the opinion grew in Pool ranks that so long as two

marketing systems existed side by side, the one speculative and the other co-operative, the second kind would always be exposed to embarrassment and even great danger. At any moment speculators might blow the market up like a balloon, which a bearish pin-prick would quickly deflate.

Now, in its financing arrangements with the Canadian banks, the Pool agreed to keep a margin of at least fifteen percent between the open market level at any time and the bank loans (that is, the payments made to its members). So the behavior of the market had a most direct bearing upon Wheat Pool fortunes. For example, there was that narrow escape in 1925 when, immediately after the Pool had made a distribution, the market descended nearly sixty cents within a period of twenty-one trading days to a point only one cent above the aggregate Pool payment; by then the required margin had been practically wiped out, and only the purchase of wheat to stabilize prices saved the organization. (The market then advanced thirty-one cents within a period of six days). Its officials, in deciding on payments to the growers during a crop season, tried to make adequate allowances for weather and other factors which might cause lower prices; but they contended that the open market often failed to act as a true barometer because of gambling epidemics.

Presently there arose a movement for the extinction of the Winnipeg Grain Exchange by legislation and the substitution of complete control by the producers of the marketing of their grain. This plan, which gained in popularity after the crash of 1929-30, was known as the one hundred percent or compulsory pool. Advocates used the former expression, opponents the latter, to describe the same thing. There is more to be said about this phase later.

NEW BREAKING

The three important features of the Wheat Pool programme in the 'twenties were direct selling; reduction of speculation in the restricted sense by the farmers shouldering their own risks; and equalized payments to growers. The first and second of these have been dealt with above.

The payment plan was fashioned after the Wheat Board model, but was used much earlier by co-operative marketing associations in the United States and elsewhere.

Each season the contract signer delivered his wheat to the Pool. He could keep back, of course, what he wanted for feed, next year's seed, and for any other home use (and he might also sell seed or feed under a permit system), but by the terms of his contract he must market all the remainder through the Pool, and nowhere else. Upon delivery of each load, or car, he received an initial payment, which was set at the beginning of the season by the Central Selling Agency in consultation with the lending banks, the idea being to set a figure low enough for safety. The organization was anxious to avoid making a payment which a future drastic price decline might turn into an overpayment, as actually did occur in 1929-30.

The grain was sold throughout the season as quickly as market conditions allowed. In the spring it was usual for a first interim payment to be sent to the grower, giving him funds for his seeding. Then there might be another instalment before harvest, and at the close of the season the final distribution was made (unless any grain happened to be carried over into the following season). The sales year ended August 31, by which date it was the aim to have all stocks cleared out.

FROM PRODUCER TO CONSUMER

It was the Pool's good fortune that it started business in an era of wide demand for Canadian wheat. Later, European importing countries, through the restoration of their agriculture after the War, were in a position to provide much more of their own food needs, and in order to protect domestic producers, raised their tariffs accordingly. This fact, combined with a tremendous world wheat production in 1928, ended the period which had been almost a seller's paradise—in comparison with what followed—and ushered in one in which the buyer had things all his own way. But for some years there was no great difficulty in selling all Pool grain delivered by its members from season to season. Carryovers were either avoided altogether or else were small; the grower was paid with regularity.

Every Pool member received precisely the same amount for his wheat, taking into account differences in grades and the freight rate from his shipping point. The basis for calculation was the One Northern grade in store at Fort William or Vancouver.

The same principle was applied to coarse grains—oats, barley, flax and rye—separate pools for which were opened by Saskatchewan and Manitoba in 1925, and by Alberta later. Indeed, a greater proportion of Pool members in Manitoba signed coarse grains contracts than for wheat. In Saskatchewan it was obligatory for a farmer to sign a wheat contract before joining a coarse grains pool. All grains were handled through the Central Selling Agency.

From the total amount which the grower's grain realized were deducted operating expenses, and also sums for reserves and for acquiring elevators. Maximum reserve deductions amounted to one percent of the gross sales price, while elevator deductions were

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two cents a bushel in the case of wheat and varying sums for the different coarse grains.

The question as to whether the Pool man or non-pooler received more for his grain was always highly controversial. Up to 1929 the former probably did at least as well if not a little better, all the various marketing costs on each side being taken into consideration, and also the volume of wheat sold at any given price level on the open market; but he undoubtedly was at a disadvantage in the two seasons following.

There was one constant difficulty in making a comparison: that the open market price was itself affected by Pool operations. The co-operative organization acted as a stabilizing influence, especially by relieving much of the hedging pressure each fall when the flow of grain from farms was always heaviest. In this way, Pool spokesmen argued, it "held up an umbrella" to shelter the outside farmer as well as its own people; and had there been no Pool in existence, open market quotations on many occasions would have registered lower than was actually the case. They pointed to the season of 1929-30 when Pool policy retarded (though it could not stop) a drastic price decline, and thereby, at great cost to the organization eventually, enabled the open market to pay somewhat more than could have been paid without support.

Such circumstances as these helped to convince supporters of the theory of complete grower control of marketing.

In spite of grain trade hostility, the Wheat Pool retained its popularity among a substantial number of Western farmers. When the first-term contract expired, a second contract, also for five years, was

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signed up without difficulty. (In Saskatchewan and Alberta all the contracts expired at the same time, while in Manitoba they were dated for five years from the time of signature.) More than half the grain growers of the West were members. The rest stayed outside for various reasons. Some were skeptical, or cautious, or indifferent. Others, while not hostile to co-operative marketing, preferred to go on using their own individual judgment in selling their grain. Still other farmers were handicapped by debts which they must pay as soon after threshing as possible, and found the system of deferred payments inconvenient.

Not only did the new marketing doctrine hold its adherents on the prairies, but it spread both eastward and westward. Grain growing farmers in the narrow valleys of British Columbia signed contracts with the Alberta Pool. In Ontario a separate pool was formed by the United Farmers Co-operative Company Limited, which by the fall of 1928 had nearly thirteen thousand members. Its grain was marketed through the Central Selling Agency of the Western Pools.

CHAPTER XVI

THE POOLS BUILD ELEVATORS

WHEN in 1924 the Canadian Wheat Pool emerged, many co-operators looked forward confidently to the amalgamation of all grain growers' organizations on the prairies. That would be a commercial giant indeed!

Two years later their hopes had been partially fulfilled. One of the old companies was absorbed in the Saskatchewan Wheat Pool, by a decisive majority vote of the stockholders themselves. But prospects of a more complete union had become remote.

For the agricultural co-operative movement these were momentous years, ending as they did in the definite division of the movement into two independent parts. The relations between these separate branches did not improve as they went along side by side.

In the fall of 1924 five distinct farmer organizations were in the field: United Grain Growers, the Saskatchewan Co-operative Elevator Company, and the three provincial Pools. The first two conducted their business on orthodox lines, and whether or not content with marketing methods made no attempt to alter them; the only difference was that farmer shareholders received the benefit of a profitable enterprise instead of the people in various walks of life who had investments in private commission and elevator firms. The Pools, on the other hand, were out

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to evolve a system in which the farmer would be dominant throughout.

Yet much harmony existed between the two different types of farmer company, and the possibilities of eventual union seemed excellent. The older companies definitely had helped to get the Pools started, and they expressed anxiety that the great marketing experiment should have a fair trial, and wished it success. Thousands of their members also signed Pool contracts, making an additional bond.

At the same time the U.G.G. and "Co-op" had their non-Pool shareholders to think of as well. For this reason they were reluctant to sink their own identity in the Pools, at least not until the latter had proved beyond reasonable doubt the soundness of grower-controlled marketing. They preferred to keep their independence and co-operate as far as they could with the newcomers.

Such was the position when the Pools faced the problem, at the very outset of their own careers, of contracting with elevator companies to handle Pool grain. With the exception of two small terminals leased at Fort William by the Central Selling Agency, the Pools had no elevators, either in the country, at the head of the Lakes or on the Pacific. The Saskatchewan organization got along with one modest loading dump, situated across the international boundary at Scobey, Montana, during the crop year of 1924-25.

If the farmer elevator companies had not come to working agreements with the Pools for the handling of their grain, it is extremely unlikely that line elevators would have done so. In that case operations would have been impossible. As it was, the handling agreements were made, after rather troublesome nego-



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tiations in the case of the Saskatchewan Co-operative, and the private companies had to fall into line if they expected to get business.

The Pools, however, regarded these arrangements as only temporary. They felt they must secure elevator facilities of their own as quickly as possible, as without these their organization would remain under a handicap. Even the assistance of the farmer companies was not completely satisfactory, and certainly the private trade could not be counted on to advance Pool grain on its way to market except unwillingly. Besides it irked Pool men to see a line elevator reaping profits out of the handling of their own grain.

All three provincial Pools wrestled with this elevator problem, jointly and separately.

Early in 1925 the old and new co-operative organizations of the West, recognizing that they were "all farmers' marketing organizations, owned and controlled by farmers in Western Canada, with a mutuality and identity of interest," looked about to see how closely it was possible to work together, and appointed a joint committee for this purpose. After other plans had been offered and rejected, an arrangement was suggested whereby, among other things, the United Grain Growers and Saskatchewan Co-operative agents would also act as elevator agents for the Wheat Pools; and a permanent advisory committee representing all parties concerned would make recommendations on policies affecting their relations.

The negotiations finally broke down, largely because of the difference of outlook on grain marketing. All three provincial Pools proceeded with their own plans for acquiring elevators. The most striking developments took place in Saskatchewan.

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In February 1925 the Saskatchewan Wheat Pool delegates laid down a general policy whereby their organization should begin acquiring elevators at all points not served by the other farmer companies. The incorporation of Saskatchewan Pool Elevators Limited followed immediately. Eighty-six elevators were ready for operation the following fall.

Handling charges on street wheat through Pool Elevators were four cents per bushel on the contract grade and five cents on other grades; or one cent lower than the charges paid to private companies under the handling agreements with the parent company.

The board decided to secure elevators at those points where at least ten thousand acres were under Pool contract, but at points already served by a farmers' elevator company the minimum under contract should be thirty thousand acres. It aimed to avoid overlapping, to do nothing which might impair relations with the older organized grain growers, with whom some day the Pools might be uniting.

A section of the Pool membership was impatient to force this union, to do what the general manager of the Saskatchewan Co-operative Elevator Company declared was actually being attempted, "to club the company out of existence." But the directors preferred to act more cautiously, pointing out that since the goal was "the greatest and most powerful farmers' economic organization in the world, it was worth while exercising a little patience."

To be patient and tactful was not always easy. In both camps was a certain amount of suspicion. Many Pool members who had shares in the other company as well said bluntly that the Saskatchewan Co-operative was just another "big business" run from the top,

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having no interest beyond piling up profits for shareholders. They had come to feel that, in spite of financial success, it was losing sight of the motive of service, and that it had no further reason for independent existence. The same critics charged the "Co-op" board as a whole with lukewarmness toward the Pool movement, and with obstructing plans already afoot toward union. Some directors, it was pointed out, had not yet signed a Pool contract, and the new organization was inclined to take the attitude, "those who are not with us are against us."

Undoubtedly the Company's officials desired to keep it alive at least until its usefulness was no longer apparent. President John Maharg said he would strive to prevent its extinction. He and his colleagues found a source of annoyance in the "boring from within" tactics of certain more uncompromising Pool supporters, who from their position as "Co-op" shareholders schemed to elect delegates favorable to outright sale. The elevator concern tried to protect itself from undermining influences by setting up a corps of field service men, promptly dubbed "secret service" by poolers. This was another cause of irritation.

In spite of all efforts to throw obstacles in the way, the movement for absorption of the Saskatchewan Co-operative Elevator Company advanced rapidly. Three die-hards on its board went down to defeat in election. The annual meeting of December 1925 contained a large majority of delegates eager for immediate negotiations with the Saskatchewan Wheat Pool. By that time the Pool had made a tentative offer for purchase of the Company's properties. Amid cheers and shouts, a motion was carried instructing a special meeting in the near future to reach a definite decision on this offer. It was obvious to

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LOADING A STEAMER WITH WHEAT AT CHURCHILL ON HUDSON BAY

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all present that the old "Co-op" was about to pass from the scene.

So the event proved. Both boards having received mandates from their shareholders to negotiate a deal, discussions proceeded. In April 1926 a detailed offer was placed before the special meeting of Co-operative Elevator Company delegates, by which the Pool's new subsidiary, Saskatchewan Pool Elevators Limited, undertook to buy the whole system, country elevators, terminals and all, for a sum to be settled by arbitration. Disregarding their directors' criticism of the offer, 366 delegates voted to accept it, and overwhelmed the seventy-seven who stood in opposition.

Considering that most of the Co-operative Elevator Company delegates were also Pool shareholders, they were really using their majority position to transfer control of property in which they remained directly interested. Farmers would still own the system; only the policy and management would change.

So the decision was made, and half-a-million dollars was paid by the Pool to clinch the bargain.

Arbitration as to the purchase price followed. C. D. Howe, Port Arthur elevator engineer who later became a Dominion cabinet minister, was the selection of the Co-operative Elevator Company, while the Pool named W. G. Styles of Regina. Both companies agreed to Mr. Justice W. F. A. Turgeon, experienced with grain questions in the West, as chairman.

Late in July the arbitrators announced the result of their labors, a compromise between two valuations having a difference of over two million dollars between them. The majority, whose decision had to be final, named a figure of \$11,059,000, the Pool repre-

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sentative favoring a further reduction. Of the total purchase price, two million dollars (including the half million before arbitration) was paid at the time, the balance to be met at the rate of one million dollars annually, with interest.

Seven years later, in August 1933, the final instalment was paid.

This was an immense transaction by almost any standards. The Saskatchewan Pool organization became owner (besides what it already had) of 451 country elevators, two terminals at Port Arthur, and a newly built transfer terminal elevator at Buffalo. It also took over the lease of another large terminal on the Lakes.

In its next annual report the Pool board was able to observe: "The Saskatchewan Wheat Pool has become not only the biggest single grain handling concern in the world but also one of the largest owners of elevator facilities. . . . The importance of this transaction lies in the fact that it removed a weakness which would always be present in the co-operative movement while there remained in the province two farmers' grain handling organizations attempting to reach similar ends by divergent and often opposing means."

A most important step toward a completely unified farm co-operative enterprise in the West had been taken. But efforts to bring in the other necessary partner failed, so that "divergent and often opposing means" remained as a weakening element in the movement.

United Grain Growers Limited was on a different footing from the Saskatchewan Co-operative Elevator Company. Something more than a grain company, it traded in farm supplies, sold livestock, carried on

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a publishing business, and had other interests as well. Its operations covered three provinces instead of one, although least prominent in the province which had been dominated by the "Co-op."

Relations between the U.G.G. and the Pools were best in Alberta, where the two concerns actually reached the stage of planning a jointly owned elevator company which would handle both Pool and non-Pool grain. The Alberta Pool delegates approved the idea, but it broke down on the question of management.

A similar proposal of joint ownership in Manitoba, advanced by United Grain Growers, was quickly rejected by the Manitoba Pool board, because of its conviction that two fundamentally different marketing systems could not work in harness together. Its attitude had been expressed on a previous occasion thus: "Owing to the fact that the Pools represent one system of marketing and the farmers' companies another, it does not appear to be possible to bring about any substantially closer relationship than that under existing elevator arrangements, until such time as the shareholders of the farmers' companies indicate their readiness to accept the Pool system of marketing."

Each of the Pools approached the United Grain Growers separately during 1926 with proposals either to buy outright or else lease the latter company's country elevators. Then came an offer of purchase on behalf of all three. This was debated by the U.G.G. delegates in December of the same year, and they decided, by a very large majority, against any sale. Until the pooling system had won over nearly every farmer in the West, it was contended, one farmer-owned company should be left in the field to handle the business of non-Pool men.

NEW BREAKING

Thus the United Grain Growers retained its independence. At the same time the delegates displayed willingness to keep on friendly terms with the newer type co-operatives by authorizing their board "to lease or sell such of the Company's elevators as may be necessary to avoid undesirable duplication of country elevators between the Company and the three provincial Pools."

Under this policy a good many elevators were sold to the Alberta Wheat Pool. Fifteen U.G.G. houses leased by the Saskatchewan Pool eventually passed into possession of that organization by purchase in 1933, the same year that witnessed the final payment on the Co-operative Elevator Company purchase.

Harmony did not last, and mutual coolness grew up between the Pools and United Grain Growers. A wit once described the U.G.G. as having "one foot in the pit and the other in the Pool." The uncompromising Wheat Pools themselves helped to take it out of that position. Before long the elevator chains of the two types of farmer organizations—rivals now instead of allies—were competing as fiercely for grain with each other as they fought the private trade.

Talk of eventual union never quite died down, especially in Alberta, although the day when that might happen seemed to recede farther and farther into the distance.¹

¹ But in 1937 the United Farmers of Alberta began definite efforts to bring the two organizations together in that province, and several conferences were held. The United Farmers of Manitoba also showed interest, and, addressing a royal commission in the fall of the same year, its president expressed hope that "these two great bodies of farm-producers may be led to combine their activities and march undivided toward the progress of the future." A meeting was held between representatives of all interested parties, and soon afterward resolutions were passed by the delegates of United Grain Growers and by the Pool delegates in Manitoba, Saskatchewan and Alberta authorizing negotiations to continue, to find out whether amalgamation or unification were practicable.

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Two great farmer commercial organizations thus pursued their courses independently, along divergent routes. One was content to make use of the futures trading system; the other wanted to eliminate it. Profound differences of opinion on marketing methods produced the gulf. Yet strangely enough the U.G.G. had helped once to get the Pools launched on their revolutionary experiment, which later it renounced altogether.

There was one other rather interesting point about the changes of those days: the Saskatchewan Co-operative Elevator Company had refused to amalgamate with the old Grain Growers Grain Company back in 1917, thinking it could manage better alone. It lost its identity, whereas the company making that offer of union continued in existence.

After efforts to bring United Grain Growers into the co-operative marketing fold had failed, the three Wheat Pools accepted the position and pushed ahead their elevator programmes. Saskatchewan added 145 houses to its system during 1926-27, and in the fall of 1928 a magnificent modern terminal of nearly seven million bushels capacity was completed at Port Arthur and opened for business. "Pool No. 7," as it was called, became the organization's pride, achieving several records for rapid unloading and shipping of grain. The Saskatchewan Pool went on building and buying country elevators until well over one thousand were operating in the season of 1929-30; it controlled about one-third of the total elevator capacity in the province. During the preceding season, a record crop made possible an average handling per elevator of 143,000 bushels.

While, because of the absorption of the old "Co-op," Pool elevator development was most impressive

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in Saskatchewan, the other provincial organizations also built up their own facilities and made good use of them.

By 1929-30 the three Pools operated—and for the most part owned—a grand total of 1642 country elevators and twelve terminals, having a combined storage capacity of about ninety-five million bushels. This colossus grew from the two-cent a bushel contributions of Pool members.

Surplus earnings were distributed to growers on a patronage basis, as neither of the older farmer companies had done. The policy, which had a particular appeal to all ardent supporters of co-operative methods, was made possible by reason of the fact that the provincial Pool organizations had no direct contact with the Winnipeg Grain Exchange. Their Central Selling Agency was a member of the Exchange, but the Pool elevator systems, which made the distribution of patronage dividends, were not; hence the organizations did not require to account to the Exchange for the way in which they returned money to customers.

At the same time reserves were kept in a healthy condition. Handlings over the years ran into hundreds of millions of bushels and earnings into millions of dollars. Pool farmers who had created the facilities received, either by cash or credits, between ten and eleven million dollars in dividends between 1925 and 1929. Once again grain growers had shown that by their combined efforts they could guide a great business enterprise.

Upon these systems an enormous burden was shortly to be laid. For in the bright autumn days of 1929 a storm was gathering which, but for the essential strength of their elevator departments, might have brought down the Western Wheat Pools in ruin.

CHAPTER XVII

TROUBLE

IN 1928 the world harvested a wheat crop nearly five hundred million bushels larger than usual. High among the countries responsible for this remarkable crop stood Canada and the Argentine Republic, both of which had a record production, 567 million and 349 million bushels respectively. These two, together with Australia and the United States, comprised the "big four" among wheat exporting countries.

All through the 'twenties the Canadian people in general had worried little about finding markets for wheat. If the crop was large, so much the more to sell; in years of poor harvests they did not export quite so much, that was all. The word "carryover," which came to have such a sinister sound, was scarcely in their vocabulary.

The big world crop in 1928 had little significance for them at first. Everything went on much as usual for a time, and during the ensuing season Canada exported 407 million bushels of wheat and flour, a record volume, out of total world imports of 941 million, which was also a record figure. Argentina contributed the exceptionally large amount—for that country—of 222 million bushels.

But when the crop year ended on July 31, 1929, Canada discovered she had an unsold surplus more than three times greater than what was regarded as normal. This amount—127 million bushels—had to

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be carried over into the next season. The Canadian Wheat Pool's share of the surplus was nearly eighty-five million bushels, an amount which would have been smaller only had this farmers' organization been willing to depress the general price level of wheat by forcing its supplies on the markets in strenuous competition with Argentina. Because of this situation, the Pool found itself obliged to defer making a final settlement to its members on the 1928 crop.

For the first time Canada had produced substantially more wheat in a year than she was able to sell in competition with other countries. But neither Pool men nor private traders were much disturbed. "It will be a long time," they said, "before we have another crop like that to market," and, thinking of the contrasting small harvest of 1929, they expected not much difficulty in getting rid of it and the carry-over as well.

Moreover, the experts, and business men at large, anticipated prices would be quite strong during the ensuing season of 1929-30. To this view the Pool subscribed, as did others. Accordingly it felt safe in declaring an initial payment of one dollar per bushel (on the One Northern grade in store at Fort William), when early in the season the open market was registering around \$1.50 and most people were looking for even higher prices.

Two things turned up to change the outlook completely. The futures market at Winnipeg and elsewhere had been inflated to an unnatural level by speculative enthusiasm which affected industrial stocks of all kinds as well as grain and other farm commodities. The North American public, which seldom needed much encouragement to speculate,

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threw all caution aside that fall. Late in October, reaction struck the New York Stock Exchange, and the panic swept like a tidal wave over every market on the continent. Grain prices were submerged in the universal flood.

The other unexpected factor was Argentina. Her 1928 crop had been underestimated, and as ship after ship laden with wheat continued during the fall months to steam across the South Atlantic Ocean to Europe, her competitors were taken by surprise, for they thought Argentine supplies would be nearly exhausted by then. But such was not the case, and instead of Canadian wheat (from the 1929 crop and balance of the 1928 crop) being allowed to flow undisturbed to overseas markets, it was met at every stage by most determined competition. Argentina adopted a price-cutting policy because unlike Canada, she lacked storage facilities and could hardly hold back any large volume of grain even if she wished to do so. Each year's crop must be sent out of the country before the next harvest; otherwise much of it might be spoiled or eaten by rats.

In the previous spring and summer Canada had already suffered from that policy. "We were faced this year," the Pool Central Selling Agency reported on its 1928-29 operations, "with the problem of selling into consumptive channels a million bushels of wheat each market day. The competition, however, of Argentine wheat was such as to almost completely drive us from the export market in the latter part of the season."

Nevertheless, the Central board was able to look back on that year with some satisfaction, believing that co-operative marketing had stood up well in a difficult time, even to the extent of warding off serious

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trouble for the country. "We have no hesitation in stating," they wrote, "that had some such means as the Pool not been provided, complete and utter demoralization of the market would have taken place last fall (1928), which would have been disastrous to Canadian business generally."

And again: "The system upon which Pool operations are based has withstood every strain placed upon it so far, and has never functioned with more efficiency than in the past year of surplus supplies."

These observations were made on the eve of a great economic catastrophe, to which the October 1929 stock and grain market collapse was a prelude.

Then the storm burst. By mid-November wheat at Winnipeg had dropped more than twenty cents a bushel from the quotations prevailing a month earlier. Then for a few weeks the market stiffened and even recovered most of the loss, but at the beginning of January 1930 it began to decline again. This descent continued steadily for six weeks, until again halted—temporarily—within a fraction of a cent of the dollar mark.

The Canadian Wheat Pool became anxious about the safety of its initial payment, which had seemed so modest only a short time before. The situation had changed with the swiftness of prairie weather. With Argentina pressing supplies on the international market, the Pool, which controlled about half the Canadian wheat crop, found that to arrest the price decline was almost impossible. Although the organization tried to reduce its stocks whenever it could do so without weakening prices still further, there were occasions between November 1929 and April 1930 when it was a buyer instead of a seller, total

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purchases of wheat futures being nearly seven million bushels.

"We found Argentine prices simply falling away from ours," said A. J. McPhail in March 1930, "and if we were to have taken such an attitude as to force our prices to a parity with Argentine, no one could have predicted to what level prices would have declined."

While this frantic struggle to sell wheat arose from the bumper world crop of 1928 which had filled up the bins of importing countries, the crop in question had merely brought to a head a situation which had been developing gradually.

Besides importing wheat, European countries had been accustomed for generations to produce much of their own needs at home. Great Britain, for example, used to raise over one hundred million bushels of wheat in the middle part of the nineteenth century, but had deliberately sacrificed its domestic agriculture for the sake of manufactures, relying upon selling these abroad in exchange for food. Such countries as France, Germany and Italy, on the other hand, ensured a considerable output of native farm products by means of tariffs, which began to come into play about 1885 and grew as grain fields in the Americas and Australia were extended.

The War intervened, disrupting European agriculture and encouraging production overseas to make up food shortage. Afterwards the war-torn continent went to work to restore the most important of all industries, for in spite of its manufacturing interests Europe remained primarily agricultural. This process occupied less than ten years.

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In the meantime, however, exporting nations abroad—Canada in particular—expanded rather than contracted their wheat acreage. Their increased contribution to the world's bread supply made up for the loss of Russia, which before the War had been the leading exporter of wheat but which did not again become an important factor until 1930-31.

Europe needed all the grain sent from overseas while her own fields, including those of the normally exporting countries in Eastern Europe, were being put back into production. As recovery progressed, foreign wheat became less needed, and tariffs rose accordingly. After the abundant world supplies of 1928 they began to reach towering heights.

Political unsettlement and uneasiness about possible future wars had some influence upon European policy, as had also the decline of general international trade caused largely by actions of the United States in blocking imports of goods from debtor nations. But, because of the traditional attitude toward agriculture, farmers would have been assisted in any case. The considerations were social as well as economic and military, for European governments had long considered it a duty to foster a healthy rural life.

These various circumstances transformed the international wheat situation. Everyone wanted to sell; no one to buy. Those who did buy practically dictated the terms.

Such were the conditions now faced by the Canadian Wheat Pool. They would become worse, but matters were serious enough for the Pool in 1929-30, because of that dollar initial payment to its members.

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Shortly after New Year, 1930, the banks, upon which the co-operative organization depended for finances, became thoroughly alarmed. Prices had sunk so far as to threaten the fifteen percent margin required between open market levels and loans to the Pool. The banks spoke of liquidating their collateral, that is, throwing large volumes of Pool wheat on the market. Such a drastic action would have meant, besides bankruptcy of the farmers' marketing agency, the reduction of Canadian wheat values to some extremely low point.

In this emergency, the three Pools appealed to the governments of their respective provinces for help. Conferences took place between the co-operative leaders and Premiers J. E. Brownlee of Alberta, J. T. M. Anderson of Saskatchewan and John Bracken of Manitoba. The prairie governments, realizing the danger of large-scale "dumping," agreed to act to avert it.

Accordingly, in each of the Western legislatures bills were introduced guaranteeing the banks' advances, so that whatever happened to the 1929 grain and unsold portion of the 1928 crop, the financiers would be protected. The Pools were to give a blanket mortgage on all their properties to the government, thereby protecting in turn the people of Western Canada who were lending their collective credit. All three houses passed this legislation. No outright opposition was expressed except by one Manitoba member.

These events occurred in February. Four months later Winnipeg wheat prices dipped below the Pool's initial payment.

When the crop year ended on July 31, the Canadian carryover had not diminished, but was again

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about 127 million bushels, of which the Pool was responsible for sixty-five million, almost exactly in line with its proportion of wheat handled.

So the Pool entered another crop year, 1930-31, without knowing what the outcome of the 1929 crop guarantee might be. Not until the end of that season was the old grain all sold and the staggering amount of the loss realized. Meanwhile new worries were added to the old, for the fairly large Canadian wheat crop of 1930 had scarcely begun to move when prices started to sink again. This time the descent was swift and almost uninterrupted.

Desperately the Pool tried to adjust itself to the downward rush. It changed its initial payment from seventy cents to sixty, then fifty-five, then fifty, a policy completely at variance with former practices, which aimed to give all producers an equal return at the year's end.

On the day after Christmas, 1930, One Northern wheat sold for fifty cents a bushel at Winnipeg, an all-time low record¹.

A few weeks before that event the Pool had sent out an urgent appeal for help to the Dominion government, which responded as the provinces had done the previous February. By the terms proposed by Prime Minister R. B. Bennett, the Central Selling Agency, in return for a guarantee to the lending banks, agreed to appoint a general manager acceptable both to the government and the banks. This position had been vacant since the resignation of

¹ Two years later even lower levels were reached. On December 16, 1932, the same grade was quoted at thirty-eight cents.

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E. B. Ramsay, who had become chairman of the Board of Grain Commissioners.

The man selected by the organization was John I. McFarland, a veteran Calgary grain man who came from retirement to take charge of Pool sales policy in this fresh crisis. He declined to accept a salary, but insisted on a free hand.

Widely-known and respected, McFarland was looked upon as perhaps the only grain man who might be sympathetically inclined toward the Western co-operative marketing organizations. He had never come into conflict with them, having retired from business just about the time they started; and indeed had offered to sell them the elevators he controlled. But his training naturally gave him an orthodox outlook in grain trade matters, and he could be expected to prefer selling Pool grain through the established channels of the trade.

The new manager held one opinion contrary to the general trade attitude. He believed, firmly and consistently, that the world wheat problem resulted largely from overproduction by exporting countries, and that the remedy lay in reducing acreage. Traders, who flourished according to the volume of grain business done, disagreed, and held such a policy to be unnecessary and in any case unworkable.

Events indicated that while relatively high prices might cause acreage to expand on the prairies, low prices failed to bring about a corresponding reduction. The reason was that producers, plunged ever deeper into debt by a combination of ruinous prices and crop failures, strove to raise every possible bushel in order to buy the necessities of life, to say nothing of meeting their creditors' demands. The years beginning with 1930 were the darkest in the history

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of Western agriculture. Troubles facing the Pools hardly reflected the anxiety and distress suffered by those thousands of farm families which made up their membership.

The McFarland ideas on acreage reduction were to be warmly debated during the ensuing difficult years, the Pool organization as a whole not responding but offering alternative proposals for control of deliveries so as to back the surplus up on the farms of Western Canada. Shortly after taking office late in November 1930, their manager placed himself on record concerning overproduction, and repeated those views from time to time in an earnest effort to convince his fellow-Canadians.

One of the conditions which J. I. McFarland had insisted upon before accepting the position of manager was that the Pool's overseas offices should be closed. To this the organization agreed in the emergency, but with the greatest reluctance. Almost his first act after taking charge was to announce the change, meaning a retreat from the policy of direct sales. The export branches in Eastern Canada and at New York were also closed.

McFarland explained that the withdrawal was intended to "demonstrate beyond possibility of doubt the truth or otherwise of the statement frequently made that the maintenance of direct representation overseas has militated against the sale of Canadian wheat."

His decision was greeted with approval in trade circles. The Pools themselves refused to believe their policy had been universally unpopular, arguing that the people in Europe most pleased were those old traders who had suffered injury, while on the other hand they could point to letters of regret from many



A CANADIAN WHEAT CARGO REACHES THE PORT OF ANTWERP



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millers who had come to appreciate such a way of conducting business.

From the outset of the McFarland regime it was evident, therefore, that the Pools could no longer pursue the trading policies which they cherished so much. Instead of direct "producer to consumer" selling, the controller of their business led them back to the open market, and all transactions were conducted in that manner.

A harder blow to Pool fortunes and prestige came in the summer of 1931. The 1929 wheat—and coarse grains as well—having been finally all sold, the total amount for which the provincial governments were liable under their guarantees was found to be in the neighborhood of twenty-five million dollars.

In many quarters it was supposed that such a staggering loss meant the downfall of the co-operative grain marketing organizations. Nevertheless they survived even that blow.

CHAPTER XVIII

FIGHTING BACK

IN midsummer of 1931 the badly-shaken Wheat Pools took stock. What they saw was discouraging. The world economic depression by now was threatening not alone businesses but whole nations with disaster; so that the farm organizations had plenty of company in their distress. For themselves the situation presented these features:

They were faced with a debt of staggering proportions, because they had paid their members more money in 1929-30 than the amount for which the grain was ultimately sold.

In addition, seventy-six million bushels from the 1930 wheat crop remained unsold and gave no indication of being likely to be sold at a profit.

The policies of their great sales agency had virtually passed out of their hands.

Wheat prices had sunk so low that the system of deferred payments upon which the Pools worked was now very difficult to apply. Western farmers had to sell their grain outright when harvested and use the meagre proceeds, as far as they would go, for living expenses as well as for paying debts.

During that same summer, Manitoba's elevator system, in which local control contrasted with the centralization practised in the other provinces, had experienced trouble and had been reported upon adversely by a provincial commission. It was claimed

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that elevators had been provided at some points before a sufficient volume of business had been assured. After 1931 the reorganized Company, although retaining its policy of elevator locals, carefully avoided any further difficulties of this nature.

As a further discouraging incident, the smallest partner in the pooling experiment, Ontario, had collapsed altogether.

Adding to the general anxiety was a severe crop failure caused by drought and high winds over large areas of the south, particularly in Saskatchewan.

Lastly, another of the frequent investigations of Canada's grain business had been held that spring. Under the chairmanship of the British economist, Sir Josiah Stamp, this royal commission had rapidly gathered evidence on futures trading, carrying out the task, including its report, in a few weeks. It pronounced the speculative system beneficial on the whole to farmers, a finding which gave no pleasure to Pool advocates. However, the report lost a certain amount of prestige in Western Canada through the inclusion, as an appendix, of a chart making a misleading comparison between Pool and open market prices; its discovery led to sharp questions being asked in Parliament, and the government disowned the offending item.

Thus, as they conferred that hot, dusty summer, Pool leaders found little to offer encouragement. But unless the members themselves abandoned the movement, there could be no thought of surrender.

Supported by the three provincial premiers, who saw that an insolvent agricultural industry would shake the strength of the whole country, they asked the Dominion government to set up a national board

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to market the 1931 wheat crop; for the Pools had become too greatly entangled to attempt to do so themselves, and in any case it was generally recognized that few farmers could carry on with the very small initial payment which their organizations would have to declare.

A general meeting of Saskatchewan Wheat Pool delegates early in July endorsed the plan under consideration, and recommended that in case it failed, then efforts should be made to get an interprovincial agency with federal support.

Negotiations continued between the Dominion and provincial governments and the Pools. Eventually Prime Minister Bennett declined to establish a national marketing board, and suggested instead the formation of a trading corporation to which the provincial Pool elevator systems would be leased, with financial assistance by the federal government. This proposal, and an alternative one for centralized selling, received attention at two conferences in the West, but, with the 1931 harvest approaching, the difficulties were considered too great.

The final decision was that the three provincial Pool organizations should operate separately in buying, handling and selling grain, the Dominion government helping to arrange for the necessary bank credit for the season's operations.¹ The Pools were to operate primarily as elevator companies, releasing their members from the contracts to deliver grain on a pooling basis. For those members who still wished to market their grain in that way, voluntary pools would be conducted, with an initial payment of thirty-five cents.

¹ This financial guarantee was not required after 1931-32.

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The three Western premiers issued a joint statement on August 11 explaining these developments, and added:

"A complete cut-off has been made from previous years' operations and a settlement arranged as between the Pools, the provincial governments and the banks. Members of the Pool and farmers generally desiring to do so may, therefore, patronize the Pool elevator facilities with complete assurance that their grain will be dealt with as a separate crop and without in any way being liable for any debts or obligations of past years."

The new policy meant that in order that the co-operative organizations might survive, the pooling method had to be sacrificed almost entirely; for the majority of farmers would be obliged to sell their grain for cash. Each provincial company would operate independently, relying upon its elevators to meet the gigantic indebtedness from that overpayment in 1929-30.

Accordingly the growers were informed that they might market wheat (but not coarse grains) on a pooling basis, if they wished; otherwise they were free to use open market methods. Under this arrangement the Alberta organization, for example, would conduct a pool of its own entirely apart from the others.

The Central Selling Agency ceased therefore to operate, as far as future crops were concerned. But it kept in existence until the balance of the 1930 crop should be sold. Its existence, indeed was greatly prolonged, the agency becoming involved in a governmental experiment which gave it a new lease of

life if not independence. This requires some words of explanation.

The marketing board proposal was turned down because the prime minister of Canada had other plans in view. He said in the first place that his government was prepared to help wheat growers during 1931-32 to the extent of a bonus of five cents a bushel. But he also made this public statement:

"The Dominion government will take whatever action may be necessary to ensure the orderly marketing of the crop of the year (1931). Panic conditions will not be permitted to control the prices obtaining for this year's Western crop."

The key to the Bennett policy is found in one word: "stabilization." This meant supporting the market with public funds, and the Pool's Central Selling Agency was to be employed by the government for the purpose.

The Central Selling Agency, under John I. McFarland, had not sold, nor indeed had attempted to sell, the whole of the stocks in its hands. If it had, there would have been two nations instead of one adopting a "fire-sale" policy; for Russia had suddenly emerged for the first time since the War as a heavy exporter, and had indicated that Russian wheat was to be sold regardless of price. The market was treated instead as a delicate plant which might expire outright unless tenderly cared for. Whether as a result of this attitude or not, prices recovered somewhat during the last six months of the 1930-31 crop year. All the 1929 Pool wheat was disposed of, but seventy-six million bushels of 1930 Pool wheat remained on hand at the season's close.

This wheat, the government decided, should be used as the foundation of the stabilization operations

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now contemplated. How far they would extend, or how long, no one guessed, but McFarland's instructions were to use the national treasury (with certain important restrictions) whenever necessary in order to avert the "panic conditions" referred to by the prime minister. When prices weakened, he went into the market and bought futures. Thus began a long and spectacular series of transactions which led to the accumulation in the Canadian government's hands of most of the unwieldy wheat surplus.

While this policy endured, Pool members had no idea what would become of their interest in the 1930 crop, and their directors and delegates could only tell them that the matter now rested with the Dominion government. Stabilization was not ended until 1935, and nearly another year went by before an accounting was made to the Wheat Pools.¹

To return now to the provincial organizations and the uncertain future which they faced in the fall of 1931. They had been stripped of their former magnificence, were laden with debt, and retained no legal hold upon the delivery of grain by their members. The loyalty of those members was about to be put to the most searching test; would Pool farmers stand by the organizations which they had built up by delivering their grain to the Pool elevator systems?

¹ In pressing for a settlement, the Pools contended that much of the 1930 wheat delivered by their members had been employed during the stabilization episode for the benefit of producers generally, and that therefore, regardless of the financial outcome, these growers should have consideration. At its 1936 session Parliament voted enough money to adjust the initial payment on that crop to sixty cents (basis One Northern at Fort William). Growers who had received settlement originally at the sixty or seventy cent levels were not affected; but all who delivered wheat in 1930-31 at the fifty and fifty-five cent levels benefited by the adjustment.

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Upon earnings of these facilities the Pools depended to pay off their debts to the provincial governments. Putting into the background the form of marketing from which they derived their names, they concentrated on getting grain through Pool elevators, and with that in mind appealed to non-Pool farmers as well as their own members. The number of non-members who became patrons of Pool elevators under the changed operating policy was quite large, and compensated for defections from the ranks of the organized growers.

The contract—which had not been enforced after the 1930-31 crop season—expired legally in the summer of 1933, and no effort was made to sign up a new one. World economic conditions were still too disturbed. Farmers began to be admitted as shareholders without any conditions attached, having full voting privileges.¹

The great task facing the Pools, taking precedence over everything else, was settlement of their obligations. These became definitely known in 1931, and each co-operative entered into an agreement with its provincial government for repayment. Against the gross amount of the 1929 overpayment, some twenty-five million dollars, was set off the final proceeds of the 1928 crop (which had not been distributed) in all cases where the grower entitled to a share had received more than his 1929 wheat had realized.

The net amounts for which the Pools were liable totalled nearly twenty-three million dollars, divided thus: Saskatchewan, \$13,752,000; Alberta, \$5,649,000; Manitoba, \$3,442,000. In the case of the first two

¹ This was not the case in Alberta, where no additional shareholders were accepted after 1930. In Saskatchewan, new shareholders were not eligible to hold office until about 1936, when the rule was altered.

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provinces, assets mortgaged to their governments amply covered even those vast sums, and left a fairly safe margin of security. But in Manitoba the liability exceeded Pool assets, which meant bankruptcy. The Manitoba government, however, agreed to write off \$1,400,000 and hold the reorganized company responsible for the balance.

These various amounts, plus interest, the co-operative organizations undertook to pay back in full within twenty years.

Hardly had the three Pools begun their uphill struggle when the largest of them suffered yet another blow in the loss of its president, who had been chairman of the Central Selling Agency as well as of the Saskatchewan Pool since the very beginning. The death of Alexander McPhail on October 21, 1931 came as a shock to his associates, the more so because it was so utterly unexpected. Only forty-six years of age, this Ontario Scot had served the farmers of Western Canada with quiet courage and unselfishness, earning respect for his leadership and affection for his broad humanity. Deeply grieved, his fellow directors in Saskatchewan prefaced the seventh annual report to the shareholders with these sentences:

"The many tributes which appeared in the press, and the very large number of personal letters received, bear testimony to the high esteem in which he was held by men and women in all walks of life. None of these, however, have been able to draw aside the curtain and portray in its entirety the spirit that animated his whole life, more especially in his later years. His high integrity and sincerity, combined with honesty of purpose, were the outstanding qualities which endeared him to every member of your

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board. For many years a strong advocate of co-operation as the road which would lead to the solution of many of our agricultural difficulties, the organized farmers of Saskatchewan have lost an outstanding champion of their cause. The public life of Canada is the poorer for his passing. The co-operative movement in general, and our organization in particular, will feel his loss keenly. But despite the great loss sustained, it is well to realize at this time that the whole movement for agricultural co-operation has been strengthened and enriched because of the fact that the last and best years of A. J. McPhail's life were devoted, wholeheartedly, unreservedly, and with a singleness of purpose rarely met with, to the task of advocating and administering the affairs of this organization—the work which lay closest to his heart."

There gradually took form a plan to keep green his memory, a foundation designed to help rural education, agricultural research and co-operative endeavor in the West. Its objectives were those of the man it sought to honor, namely, making the farm home a better and happier place.

When men drop out others must come forward to fill their places. So L. C. Brouillette, another who had worked long and zealously for co-operative marketing and had been a leading spirit in the formation of the Pool in Saskatchewan, became president of the Saskatchewan and Central organizations; and during the hard years which followed he was annually elected to both these positions, until he too, died in harness.

On the whole the membership of the three Pools responded well to the appeal for their support of the elevator systems. Some of the less staunch dropped

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away, but the record of Pool elevator handlings showed a tendency on the part of growers to rally to their own organizations.

To take the case of Saskatchewan, it is found that in the first year of the new policy, 1931-32, grain deliveries fell away rather sharply, in proportion to total facilities in the province, but came back considerably the following season and thereafter increased slowly but perceptibly year by year.

Such was the support given, indeed, that even a succession of exceptionally poor crops beginning with 1933 did not prevent each provincial organization meeting its heavy annual instalment on account of the 1929 overpayment guarantee. At the same time the elevator companies kept their properties in good repair, and were able to make moderate improvements and extensions.

Pooling itself played a very minor part during the long period. A few million bushels were marketed in that manner between 1931-32 and 1934-35, and the results compared favorably with prices paid on the open market, but the volume was insignificant. At length in August 1935, when a new government wheat board came into existence, the farmers' organizations discontinued voluntary pooling altogether.

CHAPTER XIX

NATIONAL MARKETING AGAIN

POOl energies were far from being exhausted in the efforts to bring grain into their elevators and thus reduce their debts.

The difficulties into which they had run in 1929-30, and also certain experiences in earlier years, had convinced many among their membership that while pooling was by no means a defective principle, the manner of its application was unsatisfactory. Partial control of the Canadian wheat crop, a mixture of co-operative marketing and speculative marketing, seemed to have grave weaknesses.

The solution suggested was to place the marketing of the entire crop in producers' hands, so that they might no longer be embarrassed by the presence in their midst of the Winnipeg Grain Exchange. Complete domination by the farmers meant the setting up of a co-operative marketing system to which all would belong. The word "co-operative" is really a misnomer here, for the organization proposed was compulsory in character; when a substantial majority of the growers had agreed to the plan and the required legislation had been passed, the objecting minority would be brought in as well.

This movement found its centre in Saskatchewan, and began as early as the fall of 1929. Once again Aaron Sapiro came north from the United States, addressing meetings under the auspices of the United

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Farmers of Canada, Saskatchewan Section (which represented a merger of the Farmers Union and the Saskatchewan Grain Growers Association). This time he urged strongly that Pool growers should no longer merely invite but insist upon the others joining them.

The issue came to a head the following year when a referendum was conducted by mail among the Saskatchewan Pool membership. Contract signers were asked whether they were in favor of a one hundred percent marketing organization. A considerable majority of those returning their ballots answered "yes," and on the strength of this referendum, Pool delegates gave the officials a definite mandate at the annual meeting of November 1930.

Legislation was accordingly asked from the provincial house, and this was put through without much opposition, members on both sides taking the attitude that they might reasonably pass the bills, which, as doubt was being expressed as to their legality, could then be tested in the courts. This was the government's own position in the matter. Two acts were passed, one providing for establishment of a marketing organization to control all grain marketed in Saskatchewan, and the other for a referendum of all producers, Pool and non-Pool alike. Upon the referendum obtaining a two-thirds majority, the Grain Marketing Act would become law.

This referendum, however, was never taken. The Grain Marketing Act was immediately placed before the Saskatchewan court of appeal by the government itself for the purpose of securing a judicial ruling on its constitutionality. Both sides of the controversy employed lawyers of wide reputation, and the case was argued at Regina for three days in April 1931.

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When the court's decision was handed down, the Marketing Act was declared to be beyond the powers of the legislature, as it had to do with external trade and commerce, which under the British North America Act were matters coming within the jurisdiction of the Dominion and not of a single province.

Following the court decision—for the question was being widely debated in the country—the Pool considered carrying the case to the Privy Council, highest court in the British Empire. It was prevented from doing so, however. A dissatisfied member brought an injunction against his organization to prevent it spending money on promoting a compulsory pool, on the ground that its act of incorporation gave it no authority to do so. This man won his case, the injunction being granted, and the Pool's hands effectively tied.

Balked in that direction, the Saskatchewan Pool tried another, for it was convinced that strong measures were required in an emergency which menaced all grain growers in the West. It proposed, with the endorsation of the sister organizations, that a national marketing agency should be set up to take absolute charge until the crisis had passed. To this view the prairie governments also subscribed, joining with organized agriculture in a submission to Ottawa.

In a word, the farmers were turning back to their old objective of ten years earlier, revival of the Canada Wheat Board.

As noted already, the request was not favored by the Dominion government. Pool members were presently released from their contracts, and the market was left to its own resources, having to bear the

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weight of that volume of grain which for some years had gone through other channels. But the mass of speculators, especially the smaller fry, upon whose buying support the hedging system depended, disappeared when most required. They had been punished too severely since October 1929. Said one Pool leader ironically: "the roaring bull has become a bleating calf."

All through 1931 grain marketing troubled the authorities at Ottawa. Parliament placed the question before its agricultural committee in midsummer. Perhaps the most interesting evidence then brought forward were some rather guarded statements by grain trade spokesmen that under certain circumstances, if hedging support were lacking from the usual sources, and so long as the institutions for selling Canadian wheat were not disturbed, they would not object to the government "putting muscle into the market," or propping it up with "a crutch."

This the Bennett administration in fact began to do before many more months had elapsed. A stout crutch, provided by John I. McFarland, was placed under the decrepit market.

But the spectacular stabilizing experiment now launched did not please the regular grain trade, and the complaint was made that by attempting artificially to increase its wheat values, Canada was losing a serious amount of export business.

For their part the Western Pools were only partially satisfied. They were unconvinced that, in view of the lack of interest shown by importing countries, Canadian exports could be materially increased, but they did believe that the problem would be handled better by national control of marketing instead of by

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the "crutch" method. They continued doggedly to press for a grain board.

After a second refusal, a petition was circulated all over Saskatchewan in the depth of winter—January 1933—and this obtained 107,000 names, many business people among them. Wheat prices had recently touched the lowest figure in history. The petition, asking for a marketing board, was forwarded to Ottawa. But nothing happened.

There was a development during the year 1933, however, which gave the co-operative organizations some temporary encouragement. In addition to urging a marketing board for Canada they had also taken a pronounced stand in support of international co-operation among wheat exporting countries, and importing countries as well, to see whether by dividing the available business instead of fighting for it, farmers everywhere might be able to obtain more favorable returns.

Efforts to arrive at an agreement had been made by governments before. Several international conferences had passed into history, none of them accomplishing anything in particular. But the biggest of all, held at London in August 1933, turned out differently. The world was then in a conferring mood, being all but baffled by the universal depression, and the delegates to this wheat parley were all the more anxious to achieve success because a wider and much advertised economic conference had just proved a complete disappointment.

Canada was among the twenty-two nations represented which on August 25 signed an actual agreement. This was the first large plan to deal with the





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wheat problem by international action ever to get past the negotiation stage.

The Pools were gratified, because apparently a step had been taken in the direction they desired to go. The declared objective was to raise international wheat prices to a point which would rescue producers from bankruptcy, and to accomplish it the exporting countries were to work out a formula for a system of export quotas, while importing countries undertook to discourage any further increase in their own wheat acreage and also to begin lowering their prohibitive tariff walls after prices had climbed to sixty-three cents gold per bushel (equivalent then to eighty cents at Winnipeg) and remained no lower than that figure for four months. Especially pleasing to the Canadian grain co-operatives was the fact that the governments of importing nations subscribed to the opinion that prices ought to be raised. This seemed to answer an old charge about Europeans being driven to grow more of their own supplies because of Pool designs.

Under the system of quotas inaugurated by the London Wheat Agreement, each of the chief exporters was allotted its proportion on the basis of past sales. But the scheme broke down when Argentina raised an unusually large crop; once again its almost complete lack of storage space at home brought about a flood of shipments. Consequently, Argentina exceeded its quota. Two years later the Agreement was generally acknowledged to be a failure, all that remained of it being an international advisory committee which continued to meet from time to time. This was not much, to be sure, but at least it formed a nucleus for possible future negotiations.

The ambitious attempt of 1933 to plan the distribu-

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tion of grain gave the Canadian Pools at the time an added incentive to work for a wheat board. In order to carry out its part under the London Agreement, they contended, Canada should establish an all-powerful marketing agency to act as a unit in co-operating with other countries.

At last, in June 1935, their long and patient campaign seemed about to be rewarded. Prime Minister R. B. Bennett actually introduced legislation in Parliament for the creation of a board with complete authority over the marketing of wheat and other grains as well. The board to be set up under this bill was to consist of three members, while an advisory committee of seven, four of them representing the organized producers, was also to function.

The very wide powers conferred on the proposed board, including the right to stop elevators receiving or railways transporting grain except on its own behalf, were immediately challenged. Monopolies, whether public or private, were displeasing to the official opposition party in Parliament, and evidently a thorough-going monopoly was intended in the present case. Alarmed and angry, the private grain trade hastened to protest, having their opportunity before a special committee of the House of Commons named to study the new bill. Pool representatives also appeared, and a battle was waged.

When the legislation was finally passed, the trade could congratulate themselves on a considerable victory, because the most contentious clauses were left in abeyance although not actually struck out; further, the Board's activities were to exclude coarse grains. This meant that farmers, instead of being compelled

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to market their wheat through a government agency, might use either the board or the open market. The government had authority to bring the "compulsory clauses" into effect whenever it was thought advisable to do so.

With two major differences, the situation offered a parallel to what had existed between 1924 and 1931: once again a host of independent traders were to share the field with a centralized marketing body. The latter, however, was to be under government auspices instead of being operated by the farmers themselves.

Most striking was the second distinction. Under the terms of the 1935 Wheat Board as amended, a minimum guaranteed price was to be paid the producer upon delivery and he also received participation certificates entitling him to further sums when the grain had been sold. He might receive more; he could not get less than the minimum price for the season. Any possible overpayment that developed would be absorbed by the national treasury, by all the people of Canada. Guaranteed minimum prices for wheat were a new departure in this country (what was done in the War period was really to establish maxima). The organized farmers had never been in such a happy position when they were directly in the wheat marketing business.

Of course, much depended on the size of the initial price. If it were unduly small, farmers might be tempted to forego possible future payments and sell on the open market; if it were as high as or higher than the prevailing Winnipeg quotations, then almost certainly the board would get all the wheat in the country while that condition lasted.

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On the amount of this guaranteed price the trade and farmer representatives disagreed. A small wheat crop which had survived the ravages of drought in some Western areas and rust in others, and a much diminished surplus in the world at large, seemed to justify higher prices than had been known since 1930. The Pools asked for a minimum payment of ninety-five cents, while members of the advisory committee representing interests other than the producer suggested a figure substantially lower. The Dominion government decided upon eighty-seven and a half cents, a compromise. This took effect for the 1935-36 season.

John I. McFarland, whose stabilizing activities as head of the Pools' Central Selling Agency had been brought to an end that summer, was appointed chairman of the new Canadian Wheat Board. Incidentally, it is worth remarking that all Pool men who had come to know him were delighted, for the original distrust of many farmers for their manager had vanished; to their appreciation of his personal qualities was added a satisfaction that he had grown fairly sympathetic to their own aspirations and marketing theories.

Associated with him on the Board were D. L. Smith, former overseas manager for the Pools, and Professor H. C. Grant of Manitoba Agricultural College. The advisory committee of seven also came into existence, having as its members four elected officials of the Western Wheat Pools, and one representative each of the Winnipeg Grain Exchange, milling and exporting interests.

Before the new Board had settled down to its task, however, a general election drove out the Bennett government, and W. L. Mackenzie King, with whom

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organized agriculture first had had dealings during the campaign for re-establishment of the original Wheat Board after the War, returned to office. In spite of Pool protests, the entire personnel of the Board was changed early in December, J. R. Murray becoming chairman. Once a United Grain Growers officer, he had been later secretary of the Grain Exchange and for some years manager of a large private elevator company. The only gesture toward the co-operative associations was in the naming to the vice-chairmanship of George McIvor, long identified with the Pool Central Selling Agency at Winnipeg.

Nor did the new government stop there. It disbanded the advisory committee, substituting a committee of four cabinet ministers to keep in direct touch with the Board. On this cabinet committee sat two men—Crerar and Dunning—who once had been familiar figures in the grain growers' movement.

A sales campaign was begun at once to wipe out the persisting Canadian wheat surplus; for three successive years the carryover figure had been upwards of two hundred million bushels, at least five times greater than what used to be regarded as normal. Murray was more favored by circumstances than his predecessor had been, because although import requirements remained comparatively low, Canada's principal competitors had much less grain to press on the market. His problem was simplified still further by another very small North American crop in 1936 and an improvement in world demand.

When the 1935-36 crop year closed, the Board, besides substantially reducing the old stocks inherited from McFarland, had sold almost all wheat delivered to it voluntarily by growers since the previous fall.

Nearly three-quarters of deliveries went to the Board, because the open market price kept below the fixed initial price most of the season, and as a result of this price difference, the sale of the 1935 wheat showed a loss of nearly twelve million dollars, charged against the Dominion treasury. However, the much higher price level which prevailed during the ensuing year enabled the Board to dispose of most of its old wheat holdings at attractive figures. In the long run, the Canadian people had to pay relatively little on the whole series of transactions which had begun with McFarland's first stabilization purchases several years earlier.¹

Like McFarland, the Murray Board was carrying out government policy, and so its operations were warmly debated in Parliament like any other political question. Opposition parties took a view which was quite widely held in the country, that the Board's policy was to treat price as a secondary consideration in its effort to get rid of the surplus. The fact that sixty-two million bushels were sold during the month of July 1936, at a time when the North American crop was rapidly deteriorating, was made much of by the critics, who contended that the wheat might have brought a higher price.

The government on the other hand, considered that the declared purpose of removing the surplus was being achieved in a satisfactory manner, and that prices obtained were reasonable enough.

Late in August 1936 an announcement was made from Ottawa which caused bitter disappointment to the organized growers. Convinced that the surplus problem would shortly disappear altogether as a re-

¹ With its operations not quite completed, the Wheat Board reported a net loss of \$2,279,000 as at July 31, 1937.

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sult of the poorest Canadian wheat crop in many years, the government decided that the Board would no longer accept deliveries from producers unless the daily closing price of wheat at Winnipeg dropped below ninety cents; if that happened, the previous year's minimum payment would again be made. This meant that in spite of legislation standing on the statute books, growers were prevented from patronizing the Wheat Board, so long as the market price stood above the Board's price.

The Pools felt they had been directly rebuffed by this decision, for less than two months earlier they had laid arguments before the cabinet wheat committee in support of a continuation and indeed expansion of the Board's operations. They had also asked for a minimum price related to the average cost of wheat production, which they believed would work out in excess of one dollar a bushel. After the news came from Ottawa that the government, far from agreeing with their point of view, was actually moving in the opposite direction, the Pool central executive again journeyed east. To the request for reconsideration the government replied that no changes of any kind would be made until the latest of grain inquiries then impending—to be undertaken by Judge Turgeon of Saskatchewan—had been carried out and its findings made known.

CHAPTER XX

THE POOLS AND THE GRAIN INQUIRY OF 1937

FOR five years the Canadian Wheat Pool organizations had pinned their hopes chiefly to a national marketing board. The check to these hopes, while disappointing, was received fairly philosophically on the whole, because setbacks had not been unknown in the history of agricultural co-operation on the prairies.

The provincial organizations issued a joint statement in which they declared that "the Western wheat grower, in being denied the right established under the Canadian Wheat Board Act to deliver his grain to the Board, has suffered a major reverse, and that organized agriculture has been checked in its efforts to establish the industry on a footing of economic equality." Having said so much, they prepared to continue their struggle for controlled marketing.

Their concentration upon marketing by government had arisen from an emergency which they deemed to be a national concern and hence a public responsibility. In all likelihood they would have tackled the marketing problem, formidable though it was, with their own resources had not the 1929 overpayment crippled them for a while. Recovery from that blow would be gradual, and meanwhile the Pools could hardly incur fresh risks. Eventually they might be prepared to see the government drop out

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and allow a grower organization with almost equally wide powers to take its place in the grain marketing business.

The three provincial boards of directors did however examine the possibilities of resuming voluntary pooling, which had been dropped altogether upon formation of the Wheat Board a year earlier. It was decided to take no such action—one obstacle was that the new grain marketing season was already well advanced—and to seek instead complete functioning by the publicly-owned agency.

The annual delegates' meetings of the three co-operatives later in the fall of 1936 were also inclined to leave over the question of future operating policy until the following year. Meanwhile, the Turgeon Commission would be at work; and they thought it best to reiterate their views, by now so well known, in favor of a national board for Canada, direct export to overseas consumers, and co-operation with other countries in attaining a solution for grain marketing difficulties.

Whatever else they might do, the Pools at this stage had no intention of relapsing into elevator companies: they conceived their mission to be something broader. So, when there began a movement of a local character to reorganize the Saskatchewan Pool as an elevator concern, the delegate from that particular section sponsored a resolution at the November meeting, merely to get an expression from all the delegates, he and the seconder explained; for they both voted against it. Surveying the forest of hands raised in opposition, the chairman observed: "I declare the motion lost—unanimously." Which, as he said, was something of a record.

This was not to say the co-operatives thought



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lightly of the facilities which most certainly had saved them from collapse, and which year after year were now cutting down their loads of debt. But they had always considered elevator systems, no matter how big or how successful, to be not an end in themselves but part of a larger movement. "Everything that concerns the producer of grain," their leaders often declared, "is of interest to us."

These co-operative organizations could look back upon more than twelve years of usefulness to agriculture, made possible largely by the fact that their aims had been spacious.

In the sphere of grain handling itself, the Wheat Pools had been active from the beginning in seeking reforms. Their efforts had much to do with the passage of an improved Canada Grain Act in 1929. The revised Act, among other things, provided for eliminating mixing in the four top grades of wheat in terminal elevators; raised the out-turn standard grades to the approximate quality of the primary inspection grades; reclassified all grades of grain; and gave a farmer shipper the right to choose the terminal to which he wished his grain sent. A reorganized Board of Grain Commissioners came into being to supervise administration of the Canada Grain Act, and to the post of chairman the government named E. B. Ramsay, at that time general manager of the Pools' Central Selling Agency.

One most practical contribution was a device, simple in principle, for obtaining a more even sample of grain as it flowed over the big belts of a terminal elevator. These automatic samplers resulted from experiments in Saskatchewan Pool terminals to find some improvement over the probe method of sampling cars. Presently government regulations were put

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into effect making the new sampler part of standard equipment in all Canadian terminals. The sampler also came into use, whenever construction of the terminal made it possible, in connection with grain being loaded into a boat.

By maintaining their own grade checking departments, the three co-operative enterprises were able to give shippers an additional service. Every sample of grain handled by them was checked after being graded by the government inspection department, and re-inspection called for wherever deemed advisable in the grower's interest.

Largely as a result of the competition provided by Pool country elevators in the prairie provinces, all farmers, it was claimed, shared in such benefits as narrowing of spreads between the prices of "street" and "spot" grain.

Services to agriculture by the co-operatives were recognized by a grain inquiry commission headed by Chief Justice J. T. Brown of Saskatchewan, in 1929. The Pool, this report said (referring to the three organizations jointly), "has been and will be a great force in bringing about remedial legislation in the interest of the producer, not only in connection with the Canada Grain Act, but in other legislation as well. It has helped to train its membership in citizenship. It has brought about a spirit of independence and self-confidence on the part of the farmer in carrying out his various business enterprises."

Among specific contributions noted in the report was the Pool's part in an investigation into improved methods for drying tough and damp grains. The organized growers, as was also pointed out, had helped in a movement for promoting clean and pure seed and special varieties of grain suitable to the soil

and climatic conditions. Junior grain clubs and variety testing by boys and girls were sponsored or encouraged by the provincial Pools, which by supporting the efforts of the universities, departments of agriculture and other authorities assisted in the campaign for quality production, so essential to the welfare of Canadian agriculture.

Then there were problems involving freight rates, tariffs, rural indebtedness, soil drifting, and other matters closely affecting the farmer. The co-operatives kept in touch with these matters, making representations in the proper quarters when the opportunity arose, and sometimes to good effect.

Occasionally more direct participation in questions of national interest was possible. A case in point was the Saskatchewan organization's consistent support of the Hudson Bay steamship route, a seaway which though used for over two centuries became only in 1931 a channel of modern international commerce. Indeed the Pool was the earliest and prime user of this route, both by supplying wheat cargoes for export firms and by chartering vessels and engaging in direct export ventures to Europe on its own behalf.

In all these and in other ways, the Canadian Wheat Pools had displayed a wide enough range of interests to regard themselves as worthy of some esteem among agriculturists. They said: "The general objective of these co-operative grain marketing organizations remains, as it has been from the beginning, the creation of better living conditions in the farm homes of Western Canada."

The Grain Inquiry, having Mr. Justice Turgeon as a single commissioner, began sittings at Winnipeg

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in December 1936, and for nearly a year, with short intervals, was engaged in taking evidence on all phases of the Canadian grain business.

Because of the troubled times through which agriculture had been passing, and the problems of selling Canadian wheat abroad, this investigation was followed with lively interest in the West. The Winnipeg Grain Exchange, the private elevator companies, the Wheat Pools, United Grain Growers, and the Commission itself were all represented by counsel. Economists, statisticians, chemists, bankers, country and terminal elevator operators, exporters, importers, millers and farmers were heard, the latter group in considerable numbers. As the Commission took evidence in many Canadian cities and pursued its inquiries overseas as well, an enormous amount of material was secured representative of every interest and every conceivable point of view.

The gulf which existed between Grain Exchange and Pool opinion was made apparent at an early stage of proceedings. The traders and organized farmers, indeed, never met at any time without violent disagreement. They had opposed each other before a previous commission and before Parliamentary committees, and on one occasion¹ their differences had enlivened an otherwise calm and peaceable assembly.

¹ The World Grain Exhibition and Conference, held at Regina in the summer of 1933. At this conference, incidentally, C. W. Peterson of Calgary, veteran agricultural editor, gave a pithy retort to those critics who held it immoral to restrict wheat production and that the farmer's duty was to keep the world well supplied with food and prevent it from starving. "Very well," he said, "that means that the farmer is asked to act as an insurance agent. But the world won't pay him the insurance premium. On the contrary, it says to him: 'If you dare to raise more than four percent above what we actually need, not only will we pay you no premium for your service, but we are going to cut down what you receive to less than half your cost of production.'"

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Appearing before Judge Turgeon, spokesmen for the trade defended the open market system, and charged governments and co-operative agencies with accumulating an excessive surplus of Canadian wheat and with losing markets by policies of restraint instead of free selling. Any change in marketing methods would be unwelcome.

The Pools objected that their members wanted something more reliable than a system which depended on speculation, and which, moreover, took no account of the price paid to producers. Their contention was that Canada's grain crops could be marketed to better advantage by a single agency co-operating with other exporting countries in such a way that all producers would receive a fair return without harming consumers. Once again they asked for a national marketing board, having not partial—but complete control of the crop, and making payments to growers in instalments. The futures market at Winnipeg would be closed.

A further proposal made by Pool witnesses was that in periods of stress, that is, of very low prices, the state should pay a subsidy so as to enable the grain growing industry to carry on without the anxiety and distress which had been so prevalent in recent years. The man whose crop failed would be helped by other methods, and it was thought that a satisfactory crop insurance scheme might be possible, probably with some contribution from the state which would no longer have direct relief costs to pay. Such a plan would mean building up reserves in times of good harvests against future shortages.¹

¹ While the Commission was still doing its work there occurred the worst disaster from drought since prairie settlement began, almost wiping out the grain crops in Saskatchewan.

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But just as crop failures could be expected at intervals, so, the Pools insisted, could periods of abundance. In some more enlightened age abundance might not be an embarrassment to the man who made it possible, but as affairs in the world of business were being conducted, the word "surplus" was a source of worry instead of satisfaction. Recognizing this reality, the Pools desired some permanent policy which would prevent "burdensome surpluses" arising to bring ruin to farmers. They had in mind a system of delivery quotas, whereby growers would not have the right to dispose of their whole production when harvests were large, and any future surplus would be backed up on the farms instead of being stored in elevators or forced on an indifferent market. Since this proposal also had a bearing on the principal of crop insurance, the experience of Joseph in biblical times was mentioned with approval as an example of storing grain against lean years to come.

Pool leaders joined with other witnesses in urging research to bring about wider uses for wheat, and in asking for lower tariffs and other measures likely to reduce the prairie farmer's costs.

But the central point of their proposals was a national marketing board controlling the entire Canadian crop. Their representatives said frankly that they would not care to undertake reorganizing a co-operative marketing agency with only partial control, with possibilities of another great surplus and another overpayment as in 1929. Unless supply and demand were nearly equal, difficulties were bound to follow. Before co-operative grain marketing could be undertaken again on any large scale, they maintained, the speculative system of making prices ought

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to be abolished, and the federal government guarantee producers against extremely low prices.

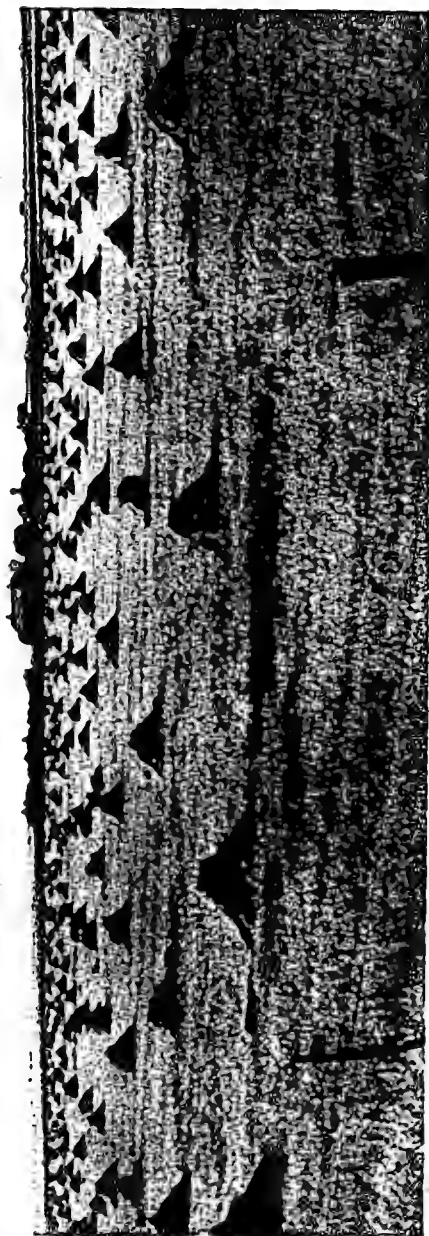
Curiously enough, the strongest support for pooling by producers came from the chairman of the Wheat Board, J. R. Murray. He went so far as to say that not only could co-operative marketing work, but that it was preferable to a board operated by the state. He showed appreciation of some important difficulties, however, by suggesting also a fixed minimum price to producers in emergencies, and some form of supervision over the Winnipeg futures market.

A previous witness, H. S. Patton, economist from the United States and close student of co-operative marketing, had also strongly supported the pooling idea, as long as it could be linked up with a subsidy when prices sank to low levels.

As for John I. McFarland, former manager of the Pools' Central Selling Agency, his view was this:

"The Wheat Board Act under which I operated for about three months, with a minimum price, is the best thing I can think of for the future; and coupled with that there should be some further legislation such as they have in the United States to check into the operation of futures dealings."

Individual farmers who appeared before the Commission were practically unanimous in asking for government help when prices descended to the depths. This applied to unorganized growers as well as Pool supporters. There was a variety of opinion on pooling (compulsory or voluntary, by governments or producers), on stabilization, and the speculative system, but hardly a man wanted to face unaided such conditions as the grain growing industry had known between 1930 and 1935. A number of



"ONE NORTHERN": A FARM NEAR REGINA



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farmers suggested that if Canadian tariffs were substantially lowered they would be prepared to get along without direct assistance from the state.

The older commercial farmers' organization, United Grain Growers, adopted in the main a more cautious and conservative attitude than did the Pools. It laid chief stress on building up markets abroad through aggressive selling and trade treaties. It did not have much faith in the possibilities of co-operation among exporting countries. Because the country had been involved in the wheat business for some time, the Company believed that at least until producers had recovered from depression there should be a continuation of government action to the extent of providing some form of board to which deliveries could be made in a voluntary way.

United Grain Growers appeared to occupy a position somewhere between the Pools and the private elevator companies, perhaps rather closer to the latter. Clearly it had lost much of the "leftward" viewpoint evident thirty years earlier. There was little indication of accord between the older and younger farmer organizations.

The privately owned elevator companies, incidentally, made it known that they would not oppose any practical form of supervision over the futures market which might be recommended by Judge Turgeon. In this regard they took a more conciliatory attitude than did officers of the Winnipeg Grain Exchange.

Among all the various interests represented, the Pool organizations had a particularly busy time while this Commission was sitting. Their first witness, Paul Bredt, president of Manitoba Pool Elevators, spent altogether thirty-two hours on the stand

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at Calgary, in April 1937, relating the history of the co-operatives and answering innumerable questions on past operations. In the middle of his evidence news came of the sudden death of his Saskatchewan colleague, L. C. Brouillette, at the age of fifty-one. All controversies were put aside as men opposed to the views which he had held so resolutely joined in the expressions of sympathy, and paid generous tribute to a foeman. Judge Turgeon himself referred to the chief of the Canadian Wheat Pools as "an idealist in the best sense of the term."

To the vacant post of president of the Saskatchewan organization, his associates elected John H. Wesson, one of the original directors. He, like A. J. McPhail, the first president, had come to the Pool movement after taking a prominent part in the old Grain Growers Association. The Grain Inquiry had reached Regina by this time, and his was the duty of presenting the second major Pool submission.

As the year 1938 began, grain producers were awaiting with curiosity and some hopefulness the outcome of what might possibly prove to be the most fruitful inquiry in the history of Western Canada's leading industry.

CHAPTER XXI

THE FARMER AS PRODUCER AND CONSUMER

THERE are some other aspects of the organised farmers' movement, the course of which has been traced through a period of nearly forty years. Just as the Pool elevator systems did not represent the whole structure, so the Wheat Pools themselves have formed part of a larger movement on the prairies, and, for that matter, in Canada. It might not be too much to say that even the sum of producers' co-operation is but one side of still a wider social and economic trend, in which the individual is becoming more conscious of himself as a consumer as well as a producer.

Besides the Wheat Pools, several smaller but energetic farm co-operative organizations have also been in operation in the West for some years. Livestock, poultry, eggs, milk and wool are among important farm products marketed for their members by these kindred associations. In British Columbia there are agencies operated on similar principles, especially for fruit growers and milk producers.

The latter province has not appeared prominently in these pages simply because the central theme is the largest and perhaps most spectacular example of agricultural self-help, the grain growers' movement. Farmers west of the Rockies, however, have long been interested in organizing their industry, and they

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were the first to seek complete grower control over the marketing of farm commodities. Their initial attempt was about 1930, when, after provincial legislation had been secured, a milk selling plan in the Fraser Valley was drawn up but found unconstitutional by the courts.

A few years later the British Columbians led a wider campaign for producer control by legislation. They received such wide support from other farm organizations across Canada, that in 1934 Parliament enacted, not without strenuous debate, the Natural Products Marketing Act. This legislation set up machinery for producers of all sorts of primary products—of the soil, forest and sea—to formulate marketing schemes which, when finally carried by a vote of the people most directly concerned, would have the force of law. Such marketing schemes were on the same general lines as the one hundred percent pool formerly attempted by grain growers in Saskatchewan; a dissenting minority had to submit to the will of the majority. Supporters said that was in accordance with sound democratic tradition, and pointed to other cases in society and business in which the principle was accepted.

Most criticism was on the ground that a man should be free to sell his produce as he liked. To some it appeared that the new plan was really a makeshift, a concession to a system of economics which through limiting supplies promoted scarcity rather than plenty; but this argument could hardly be used convincingly by interests most wedded to the system, any more than they could with good grace express uneasiness—although some did—as to how far the marketing schemes departed from co-operative doctrine. As to the insistence on freedom, it is

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worth noting that the Natural Products Marketing Act was borrowed from Great Britain, traditional home of freedom.

When explaining the legislation to farmer representatives, the chairman of the Dominion Marketing Board¹ dealt with these troubling questions of compulsion of a minority. Only by such a method, he stated, could society make up to farmers for handicaps imposed by the very nature of their business. This Act gave to producers certain privileges denied to other groups which however had been helped by the state in other ways. He suggested that a preliminary experience of ordinary co-operative marketing should precede the setting up of any scheme.

Numerous schemes were drawn up and put to a vote, some passing and a few others being defeated. Among the failures was a poll of poultry producers on the prairies, where in spite of support from the Wheat Pools an insufficiently large majority was obtained, and very far from a majority in Manitoba. The opposition was strongly organized, and the cry of "compulsion" uttered with telling effect.

But elsewhere in Canada a full score of schemes for regulating the marketing of natural products were approved. With the areas affected, they were: tree fruits in a part of British Columbia; fresh apples and pears, for export, all Canada; red cedar shingles, for export to the United States, in British Columbia; dry salt herring and salmon, British Columbia; two kinds of tobacco, Ontario; milk or manufactured milk products, lower mainland of British Columbia; potatoes, in Ontario, Quebec and the Maritimes; dry beans (except soya beans) in Western Ontario;

¹ A. Leitch, an Ontario tobacco grower prominent in efforts to organize that branch of the industry, and formerly on the staff of Ontario Agricultural College.

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vegetables, on the coast and also in the interior of British Columbia; jams, all Canada; hothouse tomatoes and cucumbers, British Columbia; halibut, in Pacific coastal waters; berries and rhubarb in part of British Columbia; Canadian cheddar cheese in Ontario, and presently in all Canada; processed berries, all Canada; sheep in part of British Columbia; smoked herring caught off certain New Brunswick islands; and apples for domestic sale in part of Nova Scotia.

This array of marketing schemes, with others in course of construction, came into existence during the years 1934 and 1935.

The experiment, however, was short-lived. Questions having been raised as to the validity of a large quantity of social legislation passed under the previous administration, the Marketing Act included, the Supreme Court of Canada was asked by the new federal government to render its judgment. Early in 1936 the Natural Products Marketing Act was declared to be unconstitutional. The Privy Council upheld this decision upon appeal.

One effect of the episode was the hastening of agricultural organization in Canada on a scale not known hitherto. The only Dominion-wide effort of the past had been the Canadian Council of Agriculture, but this faded away after the War. A similar name was given its successor, the Canadian Chamber of Agriculture, which arose late in the year 1935 largely as a result of the initiative taken by British Columbia. The general object of this federation was to co-ordinate the different branches of the industry in Canada for the purpose of promoting their common interests through collective action. A Westerner, J. H. Wesson (later to become head of the Saskatche-

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wan Wheat Pool), was selected as first president, while the secretary was H. B. Cowan of Peterboro, Ontario.

As part of this process, each province in the West formed a union of all agricultural co-operative associations, and all four provinces became joined in a Western Agricultural Conference.

But meanwhile an even more significant development has been taking shape among the farmers of Western Canada. This is the growth of consumers' co-operation, and its spontaneous nature suggests that it will evolve without requiring any artificial stimulation.

The farmer has begun to become aware of himself as a consumer as well as a producer of goods. He has been told that if he hopes to prosper he must lower his costs of production. Hitherto his efforts in this direction have been largely confined to asking, without conspicuous success, for tariff and freight rate reductions. He now shows signs of taking in hand the organizing of his own supplies. If so, he will be repeating what he has done more than once in the spheres of handling and marketing, that is, relying upon self-help instead of upon governments.

For many years, it is true, co-operative buying figured in the organized farmers' programme. But it was not very prominent. Too large a proportion of the local associations failed. The trading department of United Grain Growers effected substantial economies for its members in the handling of such bulk commodities as coal and twine; yet these activities were scarcely more than sidelines to the business of selling grain.

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Recently consumer co-operation has gained ground, the prolonged depression acting as a stimulus. Since about 1933 this movement has been attracting increasing attention all over the North American continent, both in rural and urban communities, and appears to be making up now for a late start. North America has lagged far behind Europe, where co-operative principles of trading began to be accepted and practised nearly a century ago.

Consumer co-operation really goes back farther still, to the middle of the eighteenth century, but its most impressive achievements date from 1844, when a few working people in the north of England applied a new set of business rules which experience showed to be thoroughly sound.

The competitive system was then in full flower, and for the humblest folk it meant a gradual submergence. Crushing toil from childhood to old age, and then the poorhouse: such was an average laborer's lot. There was danger that the nineteenth century might be the real dark ages for the masses of humanity, for not even in mediaeval times had greed for riches at the expense of others been allowed such license.

Here and there humane men of influence, dismayed by these conditions, sought to secure reforms. Robert Owen, William Cobbett, Dr. William King, the Earl of Shaftsbury, Bishop Barrington, Charles Kingsley, John Stuart Mill and Charles Dickens are among honored names of the period, but even more remarkable than their contributions were the achievements of the people themselves.

Twenty-eight flannel weavers in the murky Lancashire town of Rochdale sought to emancipate themselves and their neighbors from economic serf-

dom. They decided to become traders. Having scraped together a whole year's savings of £28 among them, they rented the ground floor of an old warehouse, and put in a small stock of flour, oatmeal, butter and sugar. The store was opened for business one bleak night in December 1844. It had no employees; the members took turns serving customers.

The venture was greeted with ridicule. Yet from that little shop in Toad Lane, Rochdale, the British co-operative movement grew and spread to other lands.

The founders called themselves the Rochdale Equitable Pioneers. They struggled with dour courage against obstacles, and overcame them, succeeding where earlier societies had failed. The chief reason for their triumph, however, was that they took the best features of several plans and embodied them in a set of principles, none original with themselves, but in combination forming a new system of business.

All members of the society, for example, women included, had one vote in its control, long before the state accepted this principle in political affairs. The Society sold only for cash, and charged as a rule regular market prices. Interest at five percent was paid on share capital, and all surplus above that was allotted to members in proportion to their purchases, that is, as patronage dividends. Part of the earnings was retained for reserve and for educational and recreational purposes. Voluntary membership, and political and religious neutrality, were two other principles usually but not universally observed throughout the movement as it developed.

Largely because of the Rochdale and the host of societies which followed its example, the British working man's position grew better. Retail societies

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banded together to form wholesale societies, one in England and another in Scotland, each of which today is a mighty commercial establishment, operating factories at home and plantations abroad. They have their own flour mills and bakeries. They are now the largest dealers in butter, sugar, bacon, dried fruits and tea in the British Empire. The movement also has its own bank, insurance business, and press. In connection with the latter, steps designed to give the British public a popular illustrated newspaper¹ controlled by co-operators, were taken early in 1936.

Consumer co-operation today is world-wide, and is particularly strong in the Scandinavian countries (where agricultural co-operation is also well developed). Post-War dictatorships have done it at least temporary harm in Italy, Germany and Russia, but in many other lands the movement is growing in strength. Japan, under the influence of a remarkable Christian teacher, Toyohiko Kagawa, is one of the most recent to accept co-operative doctrine on a wide scale. Canada and the United States were among the latest of all to take notice of the consumer.

The movement is gathering momentum, and Western Canada is in step with the rest of the continent in this respect. So far the farmer as buyer has concentrated on those items most economically handled—particularly coal and petroleum products—which he uses directly in his business. Co-operative oil refineries are showing rapid and healthy growth. Later he may distribute for himself more of the things he uses in his home.

Co-operative wholesale societies, still very modest in their dimensions, have been formed to serve local

¹ *Reynolds News*, a journal established about the middle of the last century, which was acquired by the co-operative movement in 1929. Its enlargement followed the purchase of an entirely new printing plant.

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retail societies. While the latter continue to depend largely upon private business for supplies, they will eventually obtain most requirements from their own central distributing concerns, and even from their own factories. This will be so if the experience of European co-operation offers any reliable guide.

In 1937 the Saskatchewan Wheat Pool organization, which for some time had been helping local trading societies in an indirect way, secured from the legislature the right to invest its reserves of six and one-half million dollars in any co-operative enterprise. The field thus opened up was very wide, suggesting such future possibilities as large-scale distribution of bulk commodities, a chain of retail co-operative stores, and even co-operative life insurance and banking. There was keen opposition from private dealers who feared that consumer co-operation supported by large amounts of capital would show superior efficiency as a system and put them out of business. It did not occur to them, perhaps, that in that event their experience might be useful in the service of the organized consumers.

The same tendency is appearing in other parts of Canada. At the annual convention of the United Farmers of Ontario in November 1936, for example, consumer co-operatives were emphasized as the primary instrument in the struggle for security, although hitherto marketing associations had been given first place.

Thus among the farmers of this country, economic organization has been taking place along two distinct lines. Co-operative marketing is older and much more strongly developed; consumers' co-opera-

tion is a younger growth in this part of the world. Broadly speaking, the first attempts to get better returns for the things a farmer sells, while the second is interested in lower prices for the things he has to buy. When the producer and the consumer are the same person, no conflict of interest takes place, but it may do so if they are different persons. When the Canadian Wheat Pools were selling wheat to the English and Scottish Co-operative Wholesale Societies, the difference of outlook became quite apparent. One big problem before the movement as a whole is how to bridge the gap between these two kinds of co-operation.

Apart from the distinction just mentioned, the only other point on which their views do not consistently coincide seems to be as to whether the voluntary principle should be paramount; with consumers' societies it is a tradition, whereas marketing associations on occasion have departed from that principle.

Even so, the two types are fundamentally akin. Both have their large collective businesses owned and operated by thousands and even millions of individuals. Both are controlled democratically, each member having one vote. Both owe their progress to self-reliance and mutual help.

In co-operative credit lies another field of effort, developed quite extensively throughout the United States during recent years. Nova Scotia and Quebec have been the pioneers among Canadian provinces in forming credit unions, which have a successful record both in towns and rural settlements. As in other co-operative undertakings, democratic control is a recognized principle. The year 1937 saw legislation enacted in two of the Western provinces which made possible the organization of these associations

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for collecting the savings of a group of individuals and lending to their members at low rates of interest.

Still another field, co-operative production, has scarcely been touched anywhere in Canada. This term is generally taken to mean manufacturing, but it may also be extended to the production of raw material. As far as agriculture is concerned, beyond collective ownership and management of threshing outfits by small numbers of farmers, few examples of this kind exist. Communities organized in such a manner as to share their implements and lands are rarities. All the associations in the West known as co-operative wheat producers, co-operative livestock producers, co-operative wool growers, and so on, are strictly marketing concerns.

In any event, as the record shows, the co-operative movement has never been static. The associations of farmers found in the prairie provinces today have evolved through a succession of stages, and their real origin lies in the first year of this century, when a group of Qu'Appelle Valley settlers gave a lead to the West.

Whatever changes occur, whatever methods are tried, they will be animated by the same spirit of self help and mutual help which is the sole meaning of the co-operative movement, whether of producers, as such, or consumers.

"Co-operation," A. J. McPhail of Saskatchewan said two years before his death, "is a combination of the practical and the ideal. It offers ample scope for putting into practice the ideas of the practical man as well as the ideals of the idealist. It is not only the most efficient, economical and practical way of doing business, but, when carried to its ultimate conclusion, it recognizes equality and the interdepend-

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ence of all human beings. It provides a business medium through which progressive and socially-minded men and women with high ideals can find satisfaction and peace of mind in useful work. It is revolutionary in that it aims to bring about a more equitable distribution of wealth by returning to its members as nearly as possible the full value of the product of their labor.

"It seeks to extend its influence and gain adherents by the all-powerful permeating influence of friendliness, persuasion and goodwill.

"It is as the sun, sending its warm and healing rays wherever there is trouble and inequality among men. Its ultimate result, if given freedom of action, will be to displace quietly, peacefully and effectively the old ruthless, coercive, competitive system, which has brought so much suffering to mankind."

CHRONOLOGY

- 1900 Manitoba Grain Act passed.
- 1901 Territorial Grain Growers Association formed.
- 1902 Sintaluta trial.
- 1903 Manitoba Grain Growers Association formed.
- 1906 Grain Growers Grain Company incorporated.
Company expelled from Winnipeg Grain Exchange.
- 1907 Company re-instated.
- 1909 United Farmers of Alberta formed.
- 1910 Canadian Council of Agriculture formed.
Manitoba Elevator Commission appointed.
Saskatchewan elevator inquiry.
"Siege of Ottawa."
- 1911 Saskatchewan Co-operative Elevator Company incorporated.
- 1912 Canada Grain Act passed.
Grain Growers Grain Company acquires Manitoba government elevator system.
- 1913 Alberta Farmers Co-operative Elevator Company incorporated.
- 1917 United Grain Growers formed as amalgamation of Grain Growers Grain Company and Alberta Farmers Co-operative Elevator Company.
- 1919 Canada Wheat Board appointed.
- 1920 Wheat Board discontinued.
- 1923 End of efforts to re-establish Wheat Board.
Alberta Wheat Pool incorporated.
Saskatchewan Wheat Pool incorporated.
- 1924 Manitoba Wheat Pool incorporated.
Central Selling Agency of Wheat Pools established.
- 1926 Saskatchewan Wheat Pool purchases Saskatchewan Co-operative Elevator Company.
- 1929 Beginning of world economic depression.
- 1930 Western legislatures guarantee Pool initial payment on 1929-30 crop.
- 1931 Change of operating policy by provincial Pools.
Stabilization operations begun by Central Selling Agency under McFarland.
- 1935 Canadian Wheat Board Act passed.
- 1937 Turgeon grain inquiry.

A SHORT BOOK LIST

(With Special Reference to Agricultural Co-operation)

WESTERN CANADA

HOPKINS MOORHOUSE. *Deep Furrows*. (Toronto: George J. McLeod, 1918.) "Which tells," as the sub-title explains, "of pioneer trails along which the farmers of Western Canada fought their way to great achievements in co-operation."

LOUIS A. WOOD. *A History of Farmers' Movements in Canada*. (Toronto: Ryerson Press, 1924.) Dr. Wood's work covers agrarian political movements in Eastern and Western Canada, as well as purely co-operative developments.

HARALD S. PATTON. *Grain Growers' Co-operation in Western Canada*. (Cambridge, Mass.: Harvard University Press, 1928.) This is the most detailed study of agricultural co-operation in Western Canada which has been published.

GENERAL

C. R. FAY. *Co-operation at Home and Abroad*. 3rd edn. (London: P. S. King and Son, 1925.) A book for students on all phases of the co-operative movement, in four main divisions, of which the second deals with agricultural societies. There is a special supplement on agricultural co-operation in the Canadian West.

PETER KROPOTKIN. *Mutual Aid: A Factor of Evolution*. (New York: Alfred A. Knopf, 1925.) Kropotkin's thoughtful study was first published in 1902. It considers the important role of mutual aid among animals; among savages; among the ancient barbarians; in the mediaeval city; and among the peoples of Europe in modern times.

GEORGE W. RUSSELL (AE). *The National Being*. (London: MacMillan and Co., 1925.) Poet and philosopher as well as practical co-operator, "AE" has made here a unique contribution to co-operative literature, which has been described as a blend of "heavenly vision and earthly reality." The book throughout bears the stamp of a distinguished and original mind. "The National Being" written in 1916, was designed to offer a new national policy for Ireland.

JACOB BAKER. *Co-operative Enterprise*. (New York: Vanguard Press, 1937.) A compact and comprehensive book, by the leader of an inquiry appointed by President Roosevelt to examine co-operative enterprises in Europe. It is aptly referred to by the publishers as "not only a primer but a Baedeker on co-operation."

J. P. WARBASSE. *Co-operative Democracy*. 3rd edn. (New York: Harper and Bros., 1936.) Dr. Warbasse is president of the Co-operative League of the United States. His point of view is suggested in the dedication: "To the consumers, who are everybody, and who may yet learn to unite to supply their needs, and ultimately to create a co-operative democracy through which to control and administrate for their mutual service the useful functions now performed by profit-business and by the political state."

FREDERIC C. HOWE. *Denmark, the Co-operative Way*. (New York: Coward-McCann, 1936.) Denmark is one of the strongholds of co-operation. This book tells what has been accomplished by applying co-operative principles to the problems of an agricultural country.

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